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# FINANCIAL TIMES

Saturday March 1 1986

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**OVERSEAS MOVING**  
BY MICHAEL GERSON  
01-446 1300

**Newport**  
**Relocation details**  
on 0633 56906

## Teachers' pay deal in balance

The National Union of Teachers last night made a last-ditch threat of legal action to stop the proposed settlement of the teachers' pay dispute from going ahead.

The agreement reached with the Apsa conciliation service, was already looking unlikely to be ratified on schedule by the Burnham pay negotiating committee.

The NUT questioned whether the committee could legally deal with a settlement referring to both pay and service conditions. Back Page.

## French squeeze on NZ

France is holding up imports from New Zealand, apparently to try to secure the release of two French agents jailed in Auckland over the sinking of the Greenpeace ship Rainbow Warrior. Back Page.

## Paris-Bonn arms pact

France and West Germany agreed to increase military co-operation. Bonn may join the French plan for a European space shuttle. Back Page.

## Hitch delays Ariane

A minor technical hitch has delayed the launch of the European Ariane rocket for two days, until March 14.

## Life for family plotters

Tarlochan Thethy of Hounslow, West London, was jailed for life at the Old Bailey, along with his mother and two brothers, for murdering his wife. They thought she was too westernised for a Sikh woman.

## Unionists plan rallies

Unionist leaders plan weekend rallies across Northern Ireland to drum up support for Monday's strike against the Anglo-Irish agreement. Page 4.

## Defence phone-tapping

The Defence Ministry is to tap its internal telephone calls to make sure staff do not discuss classified information.

## Sellafield payouts

Dependants of three Sellafield nuclear plant workers who died of cancer have received payouts from British Nuclear Fuels, one of them almost £57,000.

## Budget for the poor

India's budget includes big rises in agricultural spending, and measures aimed at helping the poor. Page 2.

## Egypt minister sacked

Egyptian Interior Minister Ahmed Rushdi was dismissed after the security force riots in which almost 40 died. Page 3.

## Train kills 27

At least 27 people were killed when a train ran into crowds gathered on the track to watch a religious fireworks festival near Cochin, south India.

## Senate screenings

The US Senate voted in favour of having its sittings televised live from June 1.

## Editor for Express

Former News of the World editor Nick Lloyd is to succeed Sir Larry Lamb as editor of the Daily Express in April.

## Elre fare hopes

Britain and the Irish Republic are to discuss cutting air fares between the two countries. Page 4.

## Nigeria to open borders

Nigeria's land borders were to be reopened last night after nearly two years' of closure.

## Warm weather in sight

Warmer weather should arrive by Wednesday, forecasters said. Racing today is cancelled, for the 12th consecutive day, and 16 football matches have been postponed. Weather, Back Page.

## Hanson in plan to sue Imperial

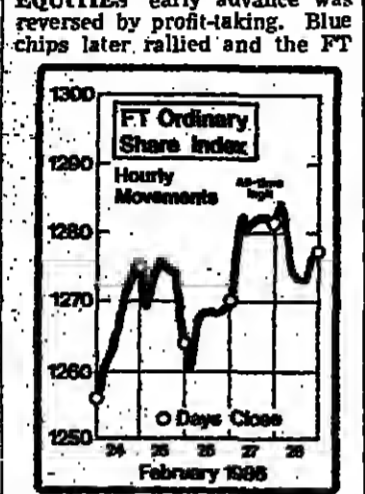
**HANSON TRUST**, which is involved in a takeover battle for Imperial Group, announced plans to sue Imperial over its newspaper advertising campaign. Hanson is to seek damages for defamation and malicious falsehood.

Hanson has launched a £2.3bn bid for Imperial which responded by seeking a defensive merger with United Biscuits.

In another move, Hanson has arranged a £100 million credit from a consortium led by Chemical Bank of U.S. Back Page.

## MORE THAN 1,500 underwriting members of Lloyd's insurance market, whose affairs were managed by PCW underwriting agency, face a further rise in losses which already total £130m. Back Page.

## EQUITIES' early advance was reversed by profit-taking. Blue chips later rallied and the FT



Ordinary Share Index ended 4.1 down at 1,277.4. This gave a rise of 21.4 on the week. Page 12.

## LLOYD'S BANK unveiled a 20 per cent increase in pretax profits to £561m in 1985. Chairman Sir Jeremy Morse said benefits of the merger with Lloyd's Bank International would be seen in 1986. Back Page and Lex Results, Page 8.

## US trade deficit reached a record \$18.96bn in January, up from \$15.15bn the previous month. Page 2.

## CANADIAN dollar came under renewed pressure as foreign exchange markets shrugged off the deficit-cutting budget presented this week. Page 2.

## IRISH Government is to inject £23m (£34.5m) equity into the state-owned B + I shipping line which came close to closure last November during labour disputes.

## YARROW Shipbuilders, Clyde-side warship yard owned by GEC, plans to shed 310 of its 4,700 jobs because of inadequate orders. Page 4.

## HONG KONG shipping group Wah Kwong asked creditors to back a plan which would allow time for the company to restructure its \$320m (£567m) debt. Page 9.

## NCE was freed from a High Court injunction, granted to the National Union of Mineworkers, which had prevented the board from closing Bates Colliery at Blyth, Northumberland. Page 5.

## EASTERN AIRLINES: Air hostesses called off a threatened strike at the Miami-based carrier which is being taken over by Texas Air. They accepted wage cuts of 20 per cent in return for job safeguards.

## FNFC, consumer credit group, agreed to pay £47.5m for TCB, banking offshoot of P & O. Page 5.

## ALGEMENE Bank Nederland, largest Dutch bank, raised 1985 profits by 19 per cent to Fl 478m (£125.5m). Page 9.

## McKECHNIE Brothers shareholders narrowly backed their board's bid for building products group Newman Tonks. The vote blocks the £150m offer by Williams Holdings for McKechnie. Page 8.

# Sterling falls sharply as concern grows at instability of markets

BY GEORGE GRAHAM

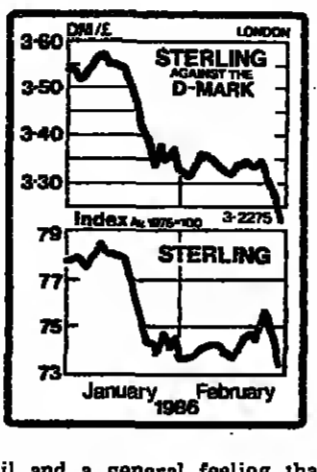
THE POUND fell sharply yesterday, ending a turbulent week in the currency markets. As the dollar regained some of the ground it lost earlier in the week, sterling came under heavy selling pressure.

The recent instability of the foreign exchange markets has aroused concern among the US and European governments. It will be discussed at meetings in Europe over the next two weeks, as officials prepare for the International Monetary Fund's meeting in Washington in April and for the world economic summit in Tokyo at the beginning of May.

Last night the pound stood 5 cents below its highest point of the week against the dollar, and 14 1/2 pence below its peak against the D-mark. The dollar lost nearly 8 pence against the D-mark over the week.

Yesterday alone sterling dropped 3 1/2 cents against the dollar and 6 1/2 pence against the Deutsche Mark, closing at \$1.447 and DM 3.2275. Falling oil prices contributed to the pound's weakness as dealers turned their attention from the US currency, which ended at DM 2.2305 and at ¥150.45.

A cargo of Brent North Sea crude for delivery in May has changed hands at under \$13 a barrel yesterday in a generally falling market. One trader said: "There is excess supply of



oil and a general feeling that there will be plenty of oil around. This continuing to push prices downwards.

London bank foreign exchange dealer commented: "Once anybody saw the slightest reversal of the downward trend in the dollar then sterling was always going to be the first to be hit."

The pound's fall has reinforced the Government's caution about allowing bank base rates to fall, as some economists had suggested earlier in the week it might do. Sterling's decline has been partly cushioned by the dollar's weakness, but the extent of its drop against the Deutsche Mark is causing concern to the authorities.

Mr Peter Fell, economist at James Capel, the stockbrokers, said: "We are still in a situation where if the base rates did move the currency could come under a lot of pressure. This makes a cut before the Budget out of the question."

In the US, there is concern that the currency markets could become disorderly. On Thursday the dollar's value rose in minutes by as much as 2 pence on rumours, later denied, that finance ministers of leading industrial nations planned to meet urgently in a bid to slow the dollar's slide.

Dealers were anticipating that West Germany and Japan might agree to lower their domestic interest rates, which would be expected to strengthen the dollar.

In London the pound's weakness cut some of the stock market's gains of earlier in the week. The FT-SE 100 share index lost 5.6 points to 1,543.9, still nearly 26 points higher over the week. Gilt-edged Government bonds also lost ground, after four days in which they had advanced strongly in yields on longer-dated stocks had broken through 10 per cent.

Wall Street, Page 10; Money Markets, Page 11; London Stock Exchange Page 12.

# Bank of England denies Owen's JMB claims

BY TERRY POVEY AND PETER RIDDELL

A SENIOR Bank of England executive last night denied allegations that Johnson Matthey Bankers had been lax in its choice of gold bullion customers. On Thursday, Customs officers arrested 12 people on suspicion of involvement in a value-added tax fraud on gold bullion sold to JMB.

At Westminster, opposition party leaders intensified pressure for a public inquiry into JMB's affairs. Alliance and Labour politicians also criticised the Bank of England over the handling of JMB following the £250m rescue operation mounted in October 1984.

Some ministers and senior Tory MPs were worried the arrests would raise more questions about the City's probity, would cause the competence of the Bank of England as a supervisor to be questioned and, indirectly, hurt the Government.

However, Mr David Walker, who is being chairman of JMB is an executive director of the Bank of England, denied the allegations made by Dr David Owen, the Social Democratic Party leader, who raised

the VAT arrests in the Commons on Thursday.

Mr Walker, in a letter to the SDP leader, said JMB had not bought gold at below market prices and that the troubled bank's bullion operations had remained profitable over the past two years.

He reiterated that the gold purchases being investigated were made from a well-known international customer of the bank with which JMB had had a long trading relationship.

Dr Owen sent a letter yesterday to Mrs Margaret Thatcher, the Prime Minister. It arrived too late for Mr Walker to comment on it. Dr Owen wrote that a public tribunal of inquiry was "the only way to lift this cloud over the Bank of England" and "I would therefore urge you to think again."

Mrs Thatcher has been asked to set up an inquiry into JMB on similar occasions in the 17 months since the bank had to be rescued under a mountain of doubtful debts in September 1984.

Dr Owen's letter raised questions about JMB's knowledge of

matters which should have led the bank to make inquiries. One of the bullion dealers involved had a police record, said Dr Owen.

Bank of England officials commenting on Dr Owen's letter said JMB had not bought the gold in question from a man the SDP leader identified and that this particular bullion trader did not have an account with JMB. The trader concerned had applied for an account at JMB last year and had been rejected, said the officials.

Other opposition leaders have now joined in the latest row in Parliament over JMB. Dr Donagh McDonald, for the Labour Party, backed the demand for an inquiry to set the public's mind at rest.

She said it would be desirable to have a thorough investigation which looked into charges of bad management, incompetence and relations with the Bank of England.

Sir Anthony Grant, a senior Tory backbencher with a close interest in City matters, said an inquiry into JMB would delay its sale back to the private sector.

# Rank in court threat to IBA

BY RAYMOND SNODDY

THE RANK Organisation last night delivered an ultimatum to the Independent Broadcasting Authority, telling it either to reconsider its rejection of the Rank takeover bid for the Granada Group or face High Court action.

The IBA was given until 10 am on Monday to confirm that it would "reconsider its recent decision." If no satisfactory response was received, Rank said, it would commence High Court proceedings for judicial review of whether the IBA had fulfilled its responsibility under the 1981 Broadcasting Act.

On Tuesday the IBA said it found Rank's £753m contested bid for Granada unacceptable because it would involve a change of ownership in a viable ITV company—Granada Television. Under the Granada Group's articles of association, the IBA claims the right to reject change of ownership of more than 5 per cent of the voting shares.

Rank said last night it had issued the ultimatum on the advice of senior counsel and

after it held discussion with a number of leading Rank and Granada shareholders. The principal objective was to secure for Granada's shareholders "the unfettered opportunity of making a proper evaluation of Rank's offer."

Mr Michael Gifford, chief executive of Rank, said: "It really is a question of whether their view of their duty is the correct one. It is not a matter we need to make a judgment on. It is a matter for the courts."

Rank believes the IBA rejection of its offer was a matter of internal IBA policy and not a matter of law.

The Rank chief executive said he was pursuing the concept "that we should have a hearing—a concept of natural justice." The organisation was angered by what it saw as a the peremptory way the IBA had dismissed its case without proper explanation.

Rank is still hoping to hold talks with the IBA to find a way to separate the economic control from the programme

control of Granada Television. Mr Gifford said he hoped to reach a compromise with the IBA but if this was not possible he was determined to go ahead with legal action.

The IBA would say only that the matter was in the hands of its legal advisers.

Two other companies are already seeking judicial reviews of rulings concerning takeover battles. Matthew Brown, the brewing group, is challenging the conclusions of a Monopolies and Mergers Commission report which permitted Scottish and Newcastle, another brewer, to proceed with a bid for Brown. Argyll Group has obtained a judicial review of a recent decision to lay aside the referral of a Guinness bid for Distillers to the commission. Guinness had put in a new bid.

Mr Michael Green, chairman of Carlton Communications, will watch any litigation against the IBA with interest. In October the authority blocked an agreed £82.5m takeover of Thames Television by Carlton.

# Brazil introduces new currency and price freeze

BY RICHARD FOSTER IN BRASILIA

BRASIL'S President José Sarney yesterday announced a one-year freeze on prices, the introduction of a new currency, and other wide-ranging economic measures in an attempt to combat the country's soaring inflation rate.

He said the country's complex system of price indexation would end and that all mortgage payments and rents would be frozen, also for one year.

The new currency would be the cruzado, worth 1,000 cruzeiros. There would be no immediate devaluation of the cruzeiro against the dollar.

The package is designed to bring the inflation rate, now running at 255 per cent a year and rising, down to about 20 per cent a year.

The measures, announced in a nation-wide broadcast, give workers automatic increases whenever prices rise by 20 per cent.

Meanwhile all wage earners will receive an immediate bonus on March 1 to offset the effects of recent inflation, after which the new system will begin to operate.

At present workers receive increments every six months, to match price rises.

The de indexation plan has been under study by government economists since August. They see it as the only means of halting an inflationary spiral that has resisted such conventional anti-inflation measures as price controls.

The government has reviewed similar wage and price freezes implemented in Argentina and Chile. In December it concluded that Brazil, undergoing a transition to democracy after 20 years of military rule, lacked the political cohesion to withstand the shock of de indexation.

However, inflation rates in the last three months—13.4 per cent in December, 16.2 per cent in January and 14.4 per cent in February—convinced the government that drastic action was needed.

The programme, dubbed the Plano Tropical, abolishes the automatic adjustment of prices, rents, mortgages and monetary instruments according to a cost-of-living index. The only indexed item still to be adjusted for full inflation is savings accounts.

The face value of outstanding Treasury bonds will be converted into the new currency without loss of real value.

In future, however, Treasury bonds will no longer be given monetary corrections for inflation and will yield only the prevailing market interest rate, forecast at 15 per cent a year.

Mr Dilson Funaro, the Finance Minister, said the Gov-

ernment would issue no new bonds or money for the next four months.

Banks were closed yesterday, but the measures were expected to provoke a rush of investors out of the bond market into savings accounts when doors are reopened on Monday.

The package also includes: increasing the minimum wage from \$44 (£30) to \$59 a month; introducing unemployment benefits for those out of work for more than a month; eliminating daily adjustment of the cruzeiro against the dollar, with devaluations now being made periodically at the central bank's discretion.

Police powers have also been expanded to enforce the price freeze. Any trader violating it faces closure of his business or imprisonment.

The greater protection against inflation offered to salaried workers than to financial and commercial sectors has defused a growing revolt in Mr Sarney's coalition from the liberal Brazilian Democratic Movement Party (PMDB), which had threatened to withdraw support in Congress.

PMDB leaders last night praised the economic programme and toned down previous criticism.

Peter Montagnon, Enro-markets Correspondent, writes: In New York yesterday, Brazil entered the final round of talks with its commercial bank creditors on the terms of a deal to restructure debt falling due in 1985 and 1986.

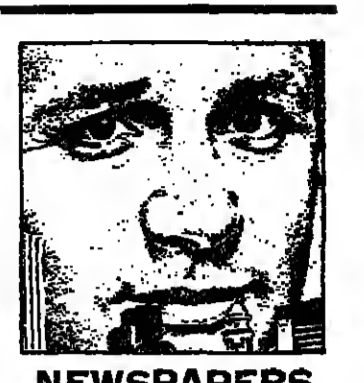
The interest rate to be paid by Brazil on the deal was said to be the only remaining point. The Brazilian delegation, led by Mr Antonio de Padua Selgas, director for external debt at the Central Bank, had been stalling on the interest rate question during the three-and-a-half weeks of talks.

Bankers feared Brazil might have been holding out for concessions on the back of any interest rate relief granted in Mexico. They also felt it wanted to see the outcome of the meeting of the so-called Cartagena group of Latin American governments taking place in Uruguay this week.

Hopes of an agreement were raised, however, when Mr Selgas indicated a willingness to move on the restructuring agreement ahead of President Sarney's economic reform package.

In an outline deal reached in January, last year's debt maturities, amounting to some \$6bn (\$8bn), are to be rescheduled for seven years. A further \$6bn in debt maturing this year, as well as \$16bn in short term credit, are to be rolled forward till March 1987.

# WEEKEND



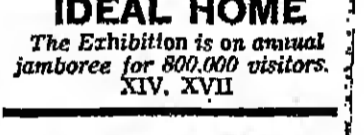
## NEWSPAPERS

Next week Eddy Shah launches a new national daily on a raft of venture capital. David Goodhart and Patrick Wintour chart his "secret year" of financial negotiations.



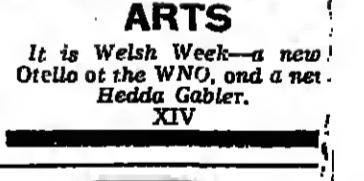
## FINANCE

As the world's bond markets soar, long-term interest rates come tumbling down.



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## ARTS

It is Welsh Week—a new Otello of the WNO, and a new Hedda Gabler.

**MARKETS**

**DOLLAR**  
New York lunchtime:  
DM 2.2275  
FF 6.587  
SF 1.8875  
¥180.585  
London:  
DM 2.2205 (3.222)  
FF 6.5825 (3.225)  
SF 1.8875 (1.9745)  
¥180.45 (180.25)  
Dollar Index: 117.3 (117.3)  
Tokyo close: ¥180.45

**US LAUNCHING RATES**  
Fed Funds 7 1/4 %  
3-month Treasury Bill: yield: 7.23 %  
Long Bond: 10 1/2 %  
yield: 8.31 %

**GOLD**  
New York: Close: 447.10 latest \$340.5  
London: \$337.0 (438.6)

**STERLING**  
New York lunchtime \$1.4495  
London: \$1.447 (1.453)  
DM 3.2275 (3.295)  
FF 9.93 (10.1375)  
SF 2.7325 (2.7825)  
¥261.0 (267.25)  
Sterling Index 73.2 (74.7)

**LONDON MONEY**  
3-month interbank: closing rate 12 1/4 % (12 1/2 %)

**NORTH SEA OIL**  
Brent 15-day March \$16.7 (\$17.625)

**STOCK INDICES**  
FT Ord 1,277.4 (-4.1)  
FT-A All Share 750.83 (-0.3%)  
FT-SE 100 1,543.9 (-5.6)  
FT-A long gilt yield index: High coupon 9.94 (9.91)  
New York lunchtime: DJ Ind Av 1,711.12 (-2.87)  
Tokyo: Nikkei 13,640.83 (-1.31)

**CONTENTS**

Cuba's new challenge: the Castro revolution faces up to middle age ..... 6  
Woman in the news: sister-power stops the tanks ..... 6  
UK video software: the industry flicks a fast-forward switch ..... 7  
Editorial comment: Budget plot thickens ..... 6

Appointments ..... 5  
Commodities ..... 5  
Company News ..... 5  
Economic Diary ..... 5  
European Options ..... 5  
FT Actuaries ..... 11  
Foreign Exchanges ..... 11  
Gold Markets ..... 11  
Int'l Co News ..... 8

Leader Page ..... 7  
Letters ..... 7  
Lax ..... 10  
London Options ..... 9  
News ..... 8  
Woman in the News ..... 6  
Money Markets ..... 11  
Overseas News ..... 2, 3  
Share Information 16, 17

SE Dealings ..... 12, 13  
Stock Markets ..... 12  
London ..... 12  
Wall Street ..... 10  
Bourses ..... 10

UK News: General Labour ..... 4, 5

Unit Trusts ..... 14, 15  
Weather ..... 18  
Base Rates ..... 12  
Building Soc Rates ..... 7

**ANNUAL STATEMENTS:**  
Investors Capital Trust ..... 8  
Lloyds Bank ..... 11

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OVERSEAS NEWS

# India unveils budget to help the poor

BY JOHN ELLIOTT IN NEW DELHI

INDIA yesterday unveiled increases of 65 per cent in public expenditure on agricultural and rural development programmes, coupled with tax changes and other measures to help the poor, the second annual budget to be introduced since Mr Rajiv Gandhi became Prime Minister 16 months ago.

Under attack recently for introducing substantial price rises which have hit the poor, Finance Minister, said yesterday his budget was aimed at 66

providing relief to the common man" and at putting the burden of providing increased government revenue on the "affluent sections of society." Adjustments to income tax provisions for the poor will benefit 350,000 people, according to Mr Singh.

Increased taxes on luxury items such as colour television sets and cars will help to raise an additional Rs 4,45bn. (Rs261m), leaving a planned deficit of Rs 36.5bn for 1986-87. This is higher than the Rs 33.16bn announced in last

year's budget for 1985-86. But lower than the Rs 44.9bn outturn. Mr Singh said it was a "reasonable and non-inflationary" figure, but it was criticised last night by opposition parties.

The budget also contained some measures to help various sections of industry including capital goods companies which have been facing problems competing with imports.

Many industrialists had been hoping for more concessions and gave the budget a mixed initial welcome.

Mr Singh said India's Gross

National Product is expected to have grown in 1985-86 by between 4.5 and 5 per cent, which was close to planned targets and an improvement on 1984-85's 3.5 per cent.

The major priority for the Government is to curb expansion of its budgetary deficit.

Mr Singh warned recently that the country's five year plan allocations would have to be cut if the people refused to accept unpopular price increases in commodities such as oil products and fertilisers which raise additional revenue

for the Government.

Yesterday, however, he announced an increase of 11.5 per cent in the Rs 200bn plan allocation for the coming year which already includes a Rs 20bn increase above original estimates to take account of inflation. The total therefore is 20.5 per cent above earlier budget estimates.

Mr Singh announced the Government's attempt to curb the black economy had helped to boost tax revenues by Rs 24bn (21 per cent) in 1985-86.

## Madrid plans to boost economy

By David White in Madrid

THE Spanish Government, which yesterday announced price cuts for petrol and other oil products for the second time in three months, is planning to introduce two pieces of legislation this month aimed at stimulating the economy by channelling more funds into investment.

The measures outlined by Mr Carlos Solchaga, the Economy and Finance Minister, involve tax incentives for the development of pension funds and for venture-capital investments.

The venture-capital rules are expected to be introduced simultaneously with regulations for a new second-tier stock market which the Madrid exchange has been planning to set up, specifically geared to small and medium-sized companies.

Other measures foreseen by the government in the near future include simpler procedures and less red tape for setting up new companies, a reform of inheritance taxes, involving a higher level of exemption, and an export-promotion programme to be negotiated with the employers' organisation.

In addition, Spain is due to remove some of the remaining limitations placed on foreign investment. These changes, a part of Spain's adaptation to the EEC, would mean lifting curbs on foreign stakes in sectors such as insurance, mining and refining, retaining restrictions only in defence industries and public services.

Announcement of these series of reactivation measures was timed to offset the impact of the first lowering of Spain's import barriers to products from the rest of the EEC. From today, Spanish tariffs on industrial goods from the EEC are cut by 10 per cent.

## Marcos loyalists to defy Aquino rule

BY ALAIN CASS IN LAOAG, NORTHERN PHILIPPINES

THE MAN accused of plotting to assassinate Mr Juan Ponce Enrile, the Philippine Defence Minister, and other Government leaders, reaffirmed his support for Mr Ferdinand Marcos, the deposed president yesterday.

Speaking amid a surge of support for the former president, in his northern Philippine stronghold, Mr Rudolfo Farinas, mayor of the town of Laoag, said he and "fellow Marcos loyalists" would fight back against what he called the "de facto Government" of Mrs Corason Aquino.

He denied, however, that he intended to assassinate Mr Enrile or other government leaders and told defiant die-hard Marcos supporters in the province of Ilocos Norte: "Let us not fight back peacefully. Let us not take up arms."

Both Mr Farinas and the vice-governor of the province Mr Roque Ablan, however said they would co-operate with the new government.

Mr Ablan proclaimed himself governor of the province this week since his predecessor Mr Ferdinand "Bong-bong" Marcos Junior, the ex-leader's 26-year-old son, fled to the US with his father.

Mr Ablan claimed, probably

The state-owned Philippine National Bank (PNB) was hit by a massive run yesterday as a result of a local press report that it faced closure by the new government of President Corason Aquino, writes Samuel Scoren in Manila.

Thousands of depositors trooped to bank branches in central Manila and the provinces to take their money out or close their accounts.

The new Finance Minister, Mr Jaime Ongpin, and the central bank governor, Mr Jose Fernandez, said in separate statements that the

PNB would not be closed but would instead be strengthened in line with planned reforms in the financial sector.

The government of former President Ferdinand Marcos had been under pressure to merge PNB with another government financial institution, the Development Bank of the Philippines (DBP) to keep both banks viable.

Both PNB and DBP are saddled with non-performing assets that account for as much as 70 per cent of their loan portfolio resulting in heavy losses

yesterday, he was merely on his way to pledge his support to Mr Enrile.

Mr Farinas, speaking in Laoag's harmonical city hall flanked by his wife and children and vocal Marcos supporters, said he knew nothing of reports that several senior generals opposed to President Aquino had gathered in the province to prepare counter attacks.

Although the rumours are largely discounted Brig General Tomas Dampit, the provincial military chief, was nowhere to be found. One unconfirmed report said he had been arrested

with justice, that he could have raised an army of 30,000 Marcos supporters to defend the ex-president in his palace but was told not to do so by the deposed leader.

Just before he was toppled, it was reliably reported that Mr Marcos considered the option of making a last stand in Ilocos but was dissuaded by the US.

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## Renewed fall in CS\$ poses political challenge

THE CANADIAN dollar came under renewed pressure yesterday as foreign exchange markets shrugged off the deficit-cutting budget presented by Finance Minister Michael Wilson earlier this week, Bernard Siman writes from Toronto.

The fall in the dollar poses serious political and economic challenges for the Government, which has supported the currency aggressively in the past month. The authorities hoped the budget would reverse negative sentiment towards the dollar, allowing them to nudge down interest rates which were

raised sharply earlier this year to contain the slide in the currency.

The Canadian dollar reached a low of 69.45 US cents yesterday morning, more than 2 cents below its pre-budget level. Bank of Canada intervention lifted it slightly above 70 cents later in the day.

Mr David Cameron, senior foreign exchange manager at Toronto-Dominion Bank estimated that the central bank has spent around US\$2bn (£1.34bn) defending the currency since it fell to a record low of 69.24 cents in early February.

## Latin American nations to set up monitoring force

EIGHT Latin American nations yesterday agreed to the formation of a civilian peace-keeping force for the Nicaragua-Costa Rican border in an unprecedented move aimed at securing a settlement in Central America, writes Jimmy Burns in Punta del Este.

The agreement, which came at the end of a three-day meeting of foreign ministers in this Uruguayan resort town, is the first concrete move to emerge from the peace initiative launched three years ago by the Contadora group of countries—Panama, Mexico, Colombia and Venezuela.

The formation of a peace-keeping force was proposed on Monday by the Nicaraguan capital of Managua as part of a broad agreement between the Nicaraguan and Costa Rican governments aimed at ending months of mutual hostility.

It has now gathered the support of the four Contadora countries and its support group of Argentina, Brazil, Peru and Uruguay.

Latin American officials explained yesterday that the force would take the form of a largely Latin American-composed civilian commission of observers

## US trade deficit rises to record \$16.5bn

By Stewart Fleming in Washington

THE US trade deficit hit a new monthly high, rising to \$16.5bn (£11bn) in January, the Commerce Department reported yesterday.

The report sparked a predictable political response with Mr Malcolm Baldrige, Commerce department secretary, saying the Reagan Administration would welcome a further drop in the value of the dollar aimed at improving US competitiveness.

At the White House a spokesman repeated that signs of an improvement in the trade figures were expected to emerge in the second half of the year.

Some private economists however are arguing the deterioration in the trade deficit is only to be expected as a result of the dramatic fall in the value of the dollar over the past year which is making imports more expensive at a time when the value of exports has not picked up.

They suggested exporters to the US were cutting their prices and narrowing their profit margins in response to the dollar fall to maintain market share.

Yesterday the Commerce Department revised downwards to \$14.9bn the deficit for December which was initially reported to have hit \$17.4bn.

The latest figures will, however, tend to reinforce the arguments of officials within the Administration who are calling for efforts to push the dollar down further at a time when Mr Paul Volcker, Federal Reserve Board chairman, has indicated that he would prefer some stability in the financial markets after the dollar's recent sharp decline.

The value of US imports in January was \$32.5bn up from \$32.1bn in January and a monthly average of \$30.1bn in 1985. Exports last month were \$17bn, virtually unchanged from the December level but down 4.5 per cent from the monthly average of 1985.

## Denmark, Italy and Greece to sign EEC reform package

BY HILARY BARNES IN COPENHAGEN AND LAURA RAUN IN AMSTERDAM

DENMARK, Italy and Greece yesterday formally dropped their objections to changes in the EEC's founding Treaty of Rome and agreed to sign the reform package already approved by the other nine member states.

The swift signing ceremony in The Hague last night was organised as soon as the outcome of the Danish referendum was known to be favourable on Thursday night.

The treaty amendments, incorporated in a Single European Act, are intended to streamline EEC decision-making, reinforce political co-operation between member states and step up the involvement of the European Parliament.

Both Italy and Greece agreed to drop their reservations once the Danish result was clear and ensure the required unanimity among the 12 to change the Community constitution.

From Italy's point of view, that means swallowing strong opposition to the whole reform package because it is considered too feeble, rather than too radical.

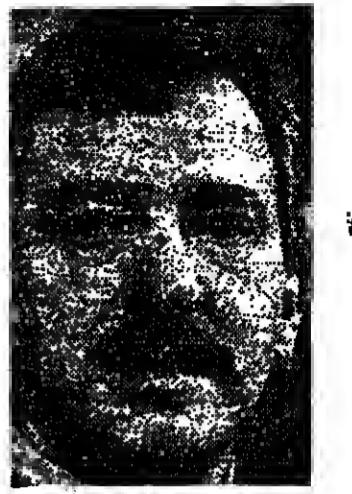
In Denmark, however, Prime Minister Poul Schluter, cocked his ear after what he described as the "historic" referendum vote, appealed to the other EEC members not to rock the boat by seeking further reforms.

"There is a political obligation on all 12 members to abide by the compromise," he told a conference with foreign newsmen. He was referring to the compromise deal worked out by the heads of government in Luxembourg in December.

Mr Uffe Ellemann-Jensen, foreign minister, was due to sign the European Single Act, the legal instrument incorporating the Luxembourg reforms, in The Hague last night.

The final vote in Thursday's consultative referendum was 52.6 per cent in favour and 47.4 per cent against. The turnout of 74.8 per cent was considerably lower than is usual in parliamentary elections.

The prime minister claimed



Ellemann-Jensen: due to sign act for Denmark

the vote "was an expression of very strong support for continued Danish membership of the Common Market." He said that about half of those who voted No to the reforms were nevertheless against withdrawal from the EEC, "so some 75 per cent or more must accept membership."

In the Hague, Mr Hans van den Broek, the Dutch Foreign Minister, welcomed the referendum result. "The result, which is still only provisional, justifies the hope that Denmark will now make its full contribution to the process of European integration," the statement said.

The Dutch Foreign Minister has pressed hard for Denmark to remain in the EEC, which the Netherlands keenly supports, and refused to postpone the earlier signing by the nine until after the Danish vote.

In Brussels, Mr Jacques Delors, the President of the European Commission, welcomed the outcome of the Danish referendum. In a short statement he described the vote as encouraging for "all EEC citizens." "I am confident that the future development enabled through the new provisions in the treaties will turn out to serve the interests of the Danish population as a whole," he said.

## Oil price fall to benefit Rome

By James Burton in Rome

THE Italian Government has decided to channel the early benefits of the fall in crude oil prices to the Treasury.

The Cabinet decided on Thursday not to lower the price of petrol in line with the fall in the price of crude, and to take the difference in tax.

According to the formula by which petrol prices in Italy are calculated, the price per litre of petrol should have come down by L25 to L1.280 (56p).

By maintaining the price—at a level which makes it the most expensive in Western Europe—the Government expects to gain L900bn which will help keep down a budget deficit estimated at over L110,000bn (£48.5bn).

## Dutch MPs give go-ahead for deployment of cruise

BY LAURA RAUN IN AMSTERDAM

THE DUTCH parliament voted 79 to 70 to accept 48 nuclear cruise missiles in the Netherlands in a quiet ballot early yesterday morning.

The vote to approve a five-year, US-Dutch treaty on the medium-range missiles was in line with expectations. The governing centre-right coalition had shown its ability to win approval during several earlier debates.

The parliamentary ballot, which ends six divisive years of delay over the deployment of the missiles, prompted none of the massive anti-missile demonstrations of years past and was actually overshadowed by a more emotional debate over the latest controversy, euthanasia.

The Christian Democrat-Liberal coalition won the vote with the help of three small, right-wing parties despite the expected defection of six Christian Democrats.

The opposition Labour Party, whose firm rejection of the missiles will be a major campaign issue in the May 21 general elections, failed to gather enough votes from other left-of-centre parties.

Mr Hans van den Broek, the Dutch Foreign Minister, reminded MPs that the arms-reductions proposals being exchanged between Washington and Moscow held out hope of eliminating the missiles from the Netherlands.

The Netherlands is the last of the five European Nato partners to take its share of 1,579 cruise and Pershing-2 missiles agreed upon in 1979.

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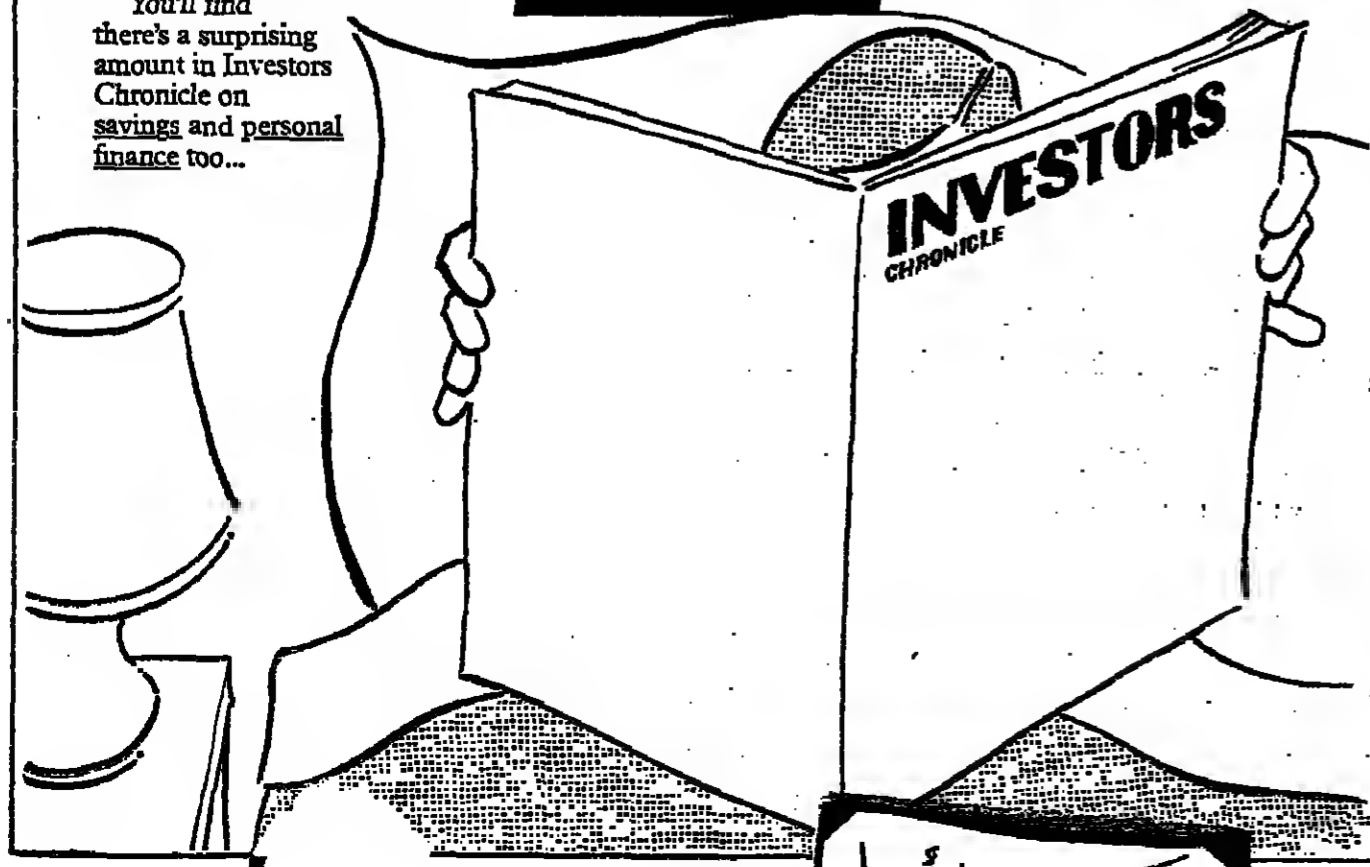
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## Moscow rejects Reagan defence bill estimates

By Patrick Cockburn in Moscow

MARSHAL Sergei Akhromyev, the Soviet Chief of Staff, yesterday strongly attacked President Reagan's estimate of Soviet defence spending as "absurd," but senior officials said Soviet dissatisfaction on US disarmament proposals did not mean that there would be no summit meeting between the US and Soviet leader this year.

Earlier in the week Mr Mikhail Gorbachev, the Soviet leader, said there was no point in a summit meeting between himself and President Reagan if no substantive progress was made on nuclear arms reduction.

Marshal Akhromyev said that going by President Reagan's figures, cited on US television on Wednesday the Soviet Union had spent 50 per cent of its budget on military needs for the last 15 years.

"This is absurd," he said. "Diplomats in Moscow say that Soviet defence spending has probably been static at between 11 and 13 per cent of Gross National Product since 1976."

Mr Georgy Kornienko, the first deputy Foreign Minister, said President Reagan's proposals on the limitation of intermediate range nuclear missiles delivered this week contained no new elements and "does not move things forward one millimetre."

Earlier in the week the Soviet news agency Tass said the US had accepted the Soviet proposal on intermediate nuclear weapons reduction in principle only to reject them "in essence."

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# Hong Kong Jockey Club's pride takes a heavy fall

## David Dodwell on a scandal that has rocked the colony



THERE IS an old and irreverent saying in Hong Kong that the territory is run by the Royal Hong Kong Jockey Club, the Hongkong Bank, and the Governor—in that order of importance.

This is, of course, a distortion of the truth. But it goes some way towards explaining the extraordinary level of shock felt over the past week as investigations by the Independent Commission Against Corruption (ICAC) into race-rigging have led to 22 arrests, the suspension of leading jockeys and a trainer, the dismissal of one of the club's most senior officials, and disruption of the two most illustrious events of the racing season.

The 101-year-old Jockey Club is one of the territory's leading civic institutions, counting among its stewards the most prominent men and women in the territory, making contributions to almost 50 charities, paying betting duties out of its monopoly on gambling that account for 8 per cent of the Government's recurrent income,

and providing work for almost 12,000 people.

The ICAC, which was set up with wide-ranging powers in 1973 after scandals linked the police with local triads, has shrouded investigations in secrecy and threatened dire punishment against anyone identifying men now released on bail. No charges have yet been brought, and none are expected for perhaps two months.

Meanwhile, the territory is buzzing with gossip about "the cancer" that spread into the club, about voting members who are "helping police with their inquiries," about the shadowy "Mr Fixit" whose legendary Shaoghai syndicate with links into Australia's criminal underworld is now supposed to have been smashed, and about how dim a view Peking is likely to take of the affair.

To understand the shock, it is important to understand the fanaticism of many Hong Kong men towards gambling and

horseracing. One has only to be caught once on a Saturday lunch at Kowloon Tong railway station, as up to 50,000 punters converge on their way to the Sbatin racecourse in Hong Kong's New Territories. With their racing papers rolled tight like batons to their fists, and pocket radios stuck to their ears, they give an unforgettable impression of the nearest Hong Kong has to a national cult.

In 66 race meetings last year, punters in this territory of just 5.5m people bet HK\$19.7bn (£1.8bn) equivalent to HK\$3,500 for every man, woman and child in Hong Kong. After 83 per cent went back to them in the form of winnings, the Government reaped HK\$2.3bn in tax, while HK\$464m was earned for charity from what has always been a non-profit-making organisation.

Among the amenities that have come from the pockey club's gambling monopoly are Victoria Park, dozens of medical clinics, hospitals, an international-standard sports complex, a town hall, the ocean park outdoor adventure park and the HK\$300m Hong Kong academy for the performing arts.

Since 1946 when racing was first recorded, Hong Kong has seemed an improbable home for horseracing. No racehorses can be bred in Hong Kong or China because of a calcium deficiency in soil throughout the country. Fodder has to be imported from the US and Australia to feed the 940 horses stabled in air conditioned quarters either at Sha Tin, or the original Happy Valley course.

The improbability is even greater when one realises that Hong Kong's giant northern neighbour has outlawed horseracing since the Communist defeat of Chiang Kai Shek's nationalist government in 1949.

The only previous racing scandal on a similar scale erupted in 1971, when the discovery of carrots laced with drugs in a race horse's stable led to the imprisonment of a leading local jockey said to be

at the centre of a major doping racket. Within months of the scandal emerging, the Jockey Club had decided to make racing professional, with increasingly strict supervision.

This latest inquiry into race fixing has evidently been going on for two years. The Jockey Club has been co-operating secretly with the ICAC for six months, with undercover investigators working as stable boys.

Gossip about syndicates fixing the outcome of races has been common fare among punters for several years. It seems the Jockey Club had its own suspicions, but lacked the evidence to take action. The sudden departure of Mr Paddy Young, a young British jockey, last year after an unexpected victory is understood to have provided an important breakthrough.

Mr Paddy Young made a statement to ICAC officers before leaving Hong Kong. Action by the Jockey Club has been swift. Mr Brian Sull-

ivan, its senior stipendiary steward, has been dismissed. Eleven jockeys have been suspended—nine of them to the end of the season. One of the territory's leading trainers has also been suspended.

As a result, the two main events of the season have been turned upside down. Seven of the top 10 jockeys are suspended, including Mr Gary Moore, the champion jockey who in 1981 won the Prix de L'Arc de Triomphe at Longchamps in France. Last week's HK\$500,000 Derby classic was littered with apprentice riders. Today's special challenge cup arranged for a visiting team led by the legendary Lester Piggott will also be contested by a local reserve team.

Officials insist the purge will be for the better. They have been seen to be taking firm moves to keep clean a sport that worldwide is notoriously corrupt. Local punters can be cheered that the 82 per cent of takings returned in winnings will today be spread more honestly and evenly among them. Until another "Mr Fixit" emerges, that is.

# HK court told of 'criminal conspiracy'

By a Special Correspondent

A PARTNER and a manager of Price Waterhouse, the international accounting firm, were "parties to a criminal conspiracy" to defraud shareholders and creditors in Carrion Investments, the now-bankrupt Hong Kong company, Crown prosecutors alleged in the Hong Kong High Court yesterday.

Mr David Begg, a partner in Price Waterhouse in Hong Kong, and Mr Anthony Lo, a manager for the company, have both pleaded not guilty to a charge of conspiracy to defraud shareholders and creditors in Carrion.

Mr Lionel Swift, counsel for the prosecution, told the court on the second day of what is likely to be at least a nine-month trial, that Mr Begg and Mr Lo had been guilty of "a catalogue of deficiencies... an abandonment of standards, a reputation of dodges" in their audit of Carrion's 1981 accounts. Carrion collapsed late in 1983 with debts amounting to at least HK\$108bn.

Mr Swift said Price Waterhouse was, "not some fly-by-night firm of accountants," but "a firm with the most stringent guidelines, stringent procedures, proper practices."

However, Mr Begg and Mr Lo had fallen short of these standards in the treatment of 10 transactions in Carrion's 1981 accounts, he said.

There was, he alleged, "a decision... to stop audit work short of the point where more inquiry would have exposed the fictitious nature of these transactions. Mr Begg and Mr Lo are charged alongside Mr George Tan, formerly Carrion's chairman, Mr Bentley Ho, an executive director in the company, and the brothers Rogerio and Stephen Lam, whose Bylamson Group of companies was one of Carrion's major business partners, all plead not guilty to the charges.

# Mubarak dismisses minister after riots

By Roger Matthews in Cairo

EGYPT'S Minister of the Interior, Mr Ahmed Rashed yesterday became the first political victim of this week's widespread rioting by members of the Central Security Force in which nearly 40 people have died.

His dismissal by President Hosni Mubarak underlined the complete failure by Egyptian intelligence services to detect serious discontent among conscripts serving in the CSF.

Mr Rashed was immediately replaced by Maj Gen Zaki Badr, who worked in the police investigation and security services after graduation from police college in 1946 until his appointment in 1982 as Governor of the province of Assiut.

Mr Rashed takes over responsibility for the CSF, which is certain to undergo extensive reorganisation before being allowed to resume its former duties and may even be disbanded.

Dozens more members of the CSF, which destroyed two luxury hotels near the pyramids on Tuesday night, surrendered to army units yesterday after further exchanges of fire. Over 2,500 have now been arrested. The shooting forced President Mubarak to cut short his visit to the scenes of worst devastation and to abandon a planned meeting with journalists.

However, the curfew in the rest of Cairo was lifted for six hours to allow people to attend Friday prayers. Mr Ali Lofth, the Prime Minister, has promised a further relaxation of the curfew as life in the capital slowly returns to normal, but schools and universities will not reopen for another week.

The length of time that it is taking the authorities to re-establish full control is serving to fuel speculation about the political future of the Prime Minister. He is recognised among senior officials as a competent academic economist, but in the five months he has been in office few have been impressed by his political skills or his ability to control Cabinet members.

Field Marshal Abdel Halim Abu Ghazala, the Defence Minister, who is widely considered to be the second most powerful man in Egypt, has yet to comment on the events of the week.

Louis Fares' adds from Damascus: Syria President Hafez Assad, yesterday supported the rebel Egyptian forces and called on Mr Mubarak, whom he dubbed "my brother," to halt the revolt by scrapping the US-sponsored Camp David peace accord with Israel.

# Slabbert calls for genuine dialogue

By ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

DR FREDERICK Van Zyl Slabbert, who resigned as leader of the white South African opposition Progressive Federal Party three weeks ago, believes that parliamentary strategies for change in his country are no longer a realistic option.

Dr Van Zyl Slabbert, who is in London for the launch of his book "The Last White Parliament," showed no regret for taking a step which shook the South African political establishment, in a lecture to the Royal Commonwealth Society yesterday.

He emphasised that the present parliamentary institutions in South Africa, based on apartheid, could not provide the kind of structures needed to promote a genuine dialogue between the white and black communities.

Indeed, the present tricameral constitution, with separate chambers for whites, Asians and coloureds, was "the biggest single obstacle" to a dialogue with extra-parliamentary groups which could never be represented in Parliament.

The tricameral system had reached such a low level of credibility that his own opposition party found it impossible to recruit people to participate in the system. The non-whites who did agree to participate were, by definition, people who agreed to co-operate with the government. They were not representatives of opposition groups.

"You therefore have to look for extra-parliamentary ways of promoting a dialogue," Dr Van Zyl Slabbert said. But he strenuously denied that he was going to found a new extra-parliamentary movement for the moment, or that he was going to cast himself in the role of "the great white mediator."

Dr Van Zyl Slabbert said he intended to make contact with as many extra-parliamentary representatives as possible in order "to find out who they



Dr Van Zyl Slabbert: no regrets

are." He had already had talks with many black representatives, including those of the banned African National Congress (ANC) in Lusaka and London.

"I am still vitally interested in promoting negotiations," he said. Once he had completed his exploratory mission he would decide what steps to take to bring about such negotiations between the white authorities and the black community.

An essential pre-condition for a dialogue between the various groups making up the South African population was the complete abolition of the country's apartheid structures. There could be no dialogue or negotiations as long as the government had not restored every citizen's freedom of choice where to live, where to work or where to educate his or her children.

A second necessary step was the lifting of the present bans on political and other organisations. "Unless the authorities do this, they won't know who to talk to," he said.

The Last White Parliament, published by Sidgwick & Jackson, £10.95.

# Famine 'threatens 19m people' in Africa

By Michael Holman

AN ESTIMATED 19m people in Africa—nearly two thirds of them in Ethiopia and Sudan—are "seriously threatened" by the consequences of famine and drought, Mr Bradford Morse, head of the United Nations office which co-ordinates international assistance for the continent, warned yesterday.

Speaking at a press conference in London, Mr Morse said the situation was nevertheless "vastly better" than when the office was established in January 1982 and 35m people were "severely at risk." An emergency programme had raised \$3bn (£2bn) out of the estimated \$3.3bn required, he said, but renewed support for the 1986 aid target was urgently needed.

Mr Morse, who in Paris earlier this week briefed officials from the Organisation of Economic Co-operation and Development (OECD), said that urgent requirements for this year came to \$680m.

In Ethiopia and Sudan, where 11.5m people were at risk, there was a real danger that the conditions of last year could be repeated if food, medical and other aid was not in place before the rains due in May and June made transport difficult or impossible.

Other countries severely affected are Mozambique and Angola and efforts in all four nations are complicated by guerrilla wars. Botswana and Cape Verde also require special assistance, say UN officials.

The UN Office for Emergency Operations in Africa is due to close at the end of June, but Mr Morse said yesterday that there was a case for extending its life, albeit on a scaled down basis, and efforts had argued strongly that such a move would be premature and Mr Morse said that the final decision would be taken after a further round of consultations with Mr Javier Peres de Cuellar, the UN secretary general.

# Nigeria set to reopen borders after two years

NIGERIA, black Africa's major economic power, plans to reopen its land borders after a closure of nearly two years, Reuters reports from Lagos.

A senior immigration official said yesterday the Interior Minister, Lieutenant-Colonel John Shagaya, would announce the reopening in a national radio and television broadcast.

In Niger, Nigeria's neighbour to the north, officials said the decision to open the borders had been communicated to the government.

The move would be the outcome of intense diplomatic pressure by neighbouring states on the military authorities in Lagos to facilitate freer movement of people and goods in the region, a Ghanaian diplomat said.

West African states which depend on Nigeria for food and fuel supplies have been hard hit by the closure.

The borders were shut during a bank notes changeover in April 1984 in a surprise move by the now ousted government of General Mohammed Buhari to cripple trafficking in the Nigerian currency, the naira.

They have remained closed to check smuggling, reopening only briefly last May to let out thousands of illegal immigrants.

# Holocaust trial grips Israelis

TRAUMATIC memories of the Nazi holocaust, in which an estimated 6m Jews perished, were revived yesterday with the arrival in Israel of Mr John Demjanjuk, a Ukrainian-born former guard at the Treblinka death camp in Poland, reports Andrew Whitley from Tel Aviv.

Mr Demjanjuk, who was stripped of his US citizenship in 1981, lost his last appeal against extradition to Israel to stand trial for war crimes earlier this week.

This will be the first trial in Israel of an alleged Nazi war criminal since the trial and execution of Adolf Eichmann in 1961.

Government officials in Israel argue the trial will be a lesson for the younger generation — most Israelis have been born since the war — as well as a counter to some historians' recent attempts to diminish the scale of the holocaust, or suggest it never took place.

Stringent security precautions were in force at Ben Gurion international airport when Mr Demjanjuk, escorted by two US marshals, arrived from New York on an El Al flight on Thursday.

An armoured bullion car took the 45-year-old retired car worker the short distance to a maximum-security prison at Ramleh, where he is being held.

The cost of the security operation, codenamed "justice," is put at \$3.5m.

Over the next six to eight weeks Mr Demjanjuk, who has denied the charges against him, claiming he is a victim of mistaken identity and a KGB frame-up, will be interrogated by a team of Israeli Justice Department investigators. They will then prepare a formal indictment for the trial itself.

About a dozen Treblinka survivors are still alive in Israel and they are expected to be key witnesses to the allegations that Mr Demjanjuk was the man known to the inmates as "Ivan the Terrible."

He is alleged to have operated the diesel engines which turned on the carbon monoxide gas in the death chambers, killing an estimated 900,000 Jews. Survivors also claim he brutally beat and whipped the naked victims as they were berded into the chambers.

Unlike other Nazi concentration camps, Treblinka was established purely for extermination purposes.



Demjanjuk arriving in Israel yesterday

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# Unionists seek backing for Ulster strike

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

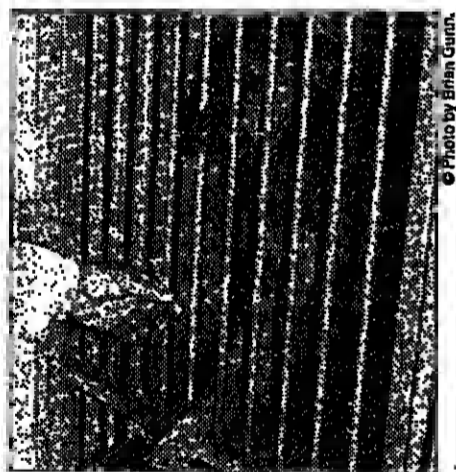
UNIONIST LEADERS are planning rallies and meetings across Northern Ireland at the weekend to win support for a 24-hour strike on Monday, called in protest at the Anglo-Irish Agreement.

# Brittan steps up Tory campaign against Alliance

BY PETER RIDDELL, POLITICAL EDITOR

MR LEON BRITTAN, the former Trade and Industry Secretary, developed the Tory Party's campaign against the Alliance in his first important political speech since his resignation five weeks ago.

# BETRAYED!



The Government's proposed new legislation on animal experiments will still allow animals to be burnt, blinded, scalded, crushed, frozen, poisoned to death and exposed to radiation in British laboratories.

YOUR MP will be voting on this Bill - the Animals (Scientific Procedures) Bill. Make sure your MP knows YOUR views.

The National Anti-Vivisection Society Limited, 51 Harley Street, London, W1N 1DD

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# Labour ban on tobacco sponsors of arts pledged

By Kevin Brown

A LABOUR government would ban sponsorship of the arts by tobacco companies, Mr Norman Buchan, the shadow Arts Minister, said yesterday.

# Receiver for light bulb maker

By Robin Reeves

DRAGONPOWER, of Ammanford, West Wales, a light bulb making venture, has gone into receivership.

# Finnish group to build UK ammonia plant

Financial Times Reporter

KEMIRA, the Finnish fertiliser group, will build a 200,000 tonne ammonia plant in the BP Chemicals industrial complex near Warrington.

# Market 'buoyant' for BSC coated steel

By Robin Reeves

DEMAND for the British Steel Corporation's pre-finished steel strip coated with organic paint or plastic is estimated to have risen by 12 per cent in 1987.

# Talks on cutting UK-Ireland air fares

By Michael Donne, Aerospace Correspondent

The talks indicated that the Irish Government supported Britain's efforts to achieve an extension of open skies policy in Europe as a whole.

Max Wilkinson and William Hall on one effect of falling oil prices

# BP acts to stop Standard's slide

THE DECISION by British Petroleum to despatch two of its brightest young executives to take charge of Standard Oil of the US is a telling example of the anxiety with which big oil companies are calculating the effects of falling oil prices.



Robert Horton: Wants closer links

# Yarrow yard plans 310 job cuts

By Andrew Fisher, Shipping Correspondent

YARROW SHIPBUILDERS, the Clyde-side warship yard owned by General Electric Company, yesterday said it was proposing to shed 310 jobs out of its 4,700 workforce, because of inadequate new orders.

# Channon reassures over Land Rover

By Peter Riddell, Political Editor

MR PAUL CHANNON, the Trade and Industry Secretary, yesterday sought to offer reassurance about the Government's attitude to the sale of Leyland Trucks and Land Rover.

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# Talks on cutting UK-Ireland air fares

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The contrast between Royal Dutch/Shell's US subsidiary, Shell Oil, and BP's US operations could not be more marked.

# Insurance sales curbs under fire

By Eric Short

THE Institute of Chartered Accountants in England and Wales is opposed to proposals on the categorisation and control of people selling life assurance and unit trusts.

# Jobs go as Liverpool container base shuts

By Eric Short

THE 17-YEAR-OLD privately owned Liverpool Inland Container base at Aintree closed yesterday with the loss of 103 jobs.

# Austin Rover profit

A STATISTICAL error led to Austin Rover's £0.6m operating profit in the first half of 1987 being quoted as a £26m operating loss in the Financial Times on February 24.

# Rush into long-johns to beat the big freeze

By Walter Ellis

SELL GOLD; buy long-johns. As Britain continues to suffer from the cold - it has been the second-coldest February this century - the smart money is moving into underwear and other winter-warmers.



Frost-kill stalks the meadows. Seed is under attack, and early corn - among the hardest of annuals - is threatened by a shift in the lie of the land that can break the connection between roots and leaves.

Liquid gas occupies only 1/600th of the space occupied by the same amount of gas.

Even foundations cannot be prepared: the ground is frozen solid and there is a danger that the ground will shift onto the thaw comes.

There have been no tales so far of computers, like Napoleon's army on the retreat from Moscow, abandoning their trains and struggling single-file towards home.

Wimpey reports that no "wet-work" at all is taking place. That means no concrete pouring, no bricklaying, no plastering, and no interior rendering.

There was, however, no recognition of the fact that Britain generally has been finding life other than a trifle chilly. We are expected to be stoical about the cold. We are not supposed to complain about it. It is all part of being British.

# John Griffiths on the implications of BL's unsuccessful attempt to save a monopoly

# Lords ruling on parts raises fears of pirate imports

THE UK's domestic appliance manufacturers' association sought legal advice yesterday on the implications for their industry of a Law Lords ruling opening up a free market in replacement parts for cars and other machines.

Industry for a considerable time. The association had no estimate of the value to the industry of the spare parts "aftermarket," but manufacturers regarded it as extremely important given the highly competitive market in new appliance sales.

From NEWS... Committee... of AI... Promotions... Promotions

Handwritten signature or note in the bottom right corner.



# From dolls houses to Dickens



Richard Goodwin, co-producer of Dickens' Little Dorrit, a story of financial ruin

A £10m venture will have to be made to produce the dollhouse film, says Goodwin. The dolls houses go into production when no film is being made in the studios in London's Docklands. They help to save the £2,000-a-week overheads when the studio is "resting" and to keep the permanent staff at 200.

The money that is a film under way in Rotherhithe, one of Britain's least-known film studios which is less than 10 minutes away from the City of London. The film is a film production of Charles Dickens' Little Dorrit, being shot in the area of London where much of the book is set in the 1850s.

It stars Sir Alec Guinness, who began his film career in 1945 as William Dorrit in a film based on Dickens' Great Expectations. Sarah Pickering, an unknown third-year drama student plays Little Dorrit, and Derek Jacobi plays Arthur Clennam.

There are a further 249 speaking roles in the production which is divided into two parts, each of feature film length.

Even with this large number of parts, Rotherhithe is reviving a new form of filmmaking which may form a pattern for the future of an industry viewed by City financiers as high risk.

"The whole concept is making do with what we have got - self help really," says Mr Richard Goodwin, who is co-producing Little Dorrit with Lord Brabourne, his film-making partner of many years.

Their last film together, shot on location was A Passage to India, a double Oscar winner.

Virtually nothing is hired and less thrown away. Every costume is made by hand by the film company crew using original mid-19th century designs. Many are made from cotton bought by Mr Goodwin while making A Passage to India.

The dolls house skills are used to make models of Victorian houses, which in slide form are superimposed on shots of a partially constructed set to add to the reconstruction of a Victorian street.

Chippings from the carpentry shop are burnt in a stove to keep the laundry warm.

Directed by Christine Edzard—his wife.

"I am very conscious that I am spending other people's money," Mr Goodwin says. The 35-week shoot is expected to come in on time on July 18 and under budget.

The cold weather has not delayed shooting, although actors have had to suck ice cubes to avoid streams of frosty breath.

Little Dorrit met Mr Goodwin's criteria for going ahead with a film—a long-term earning life, combined with sensible price and budgeting.

Nevertheless, he is engaged in a seemingly endless cycle of mortgaging everything to develop an idea, then hoping that the money starts to flow back.

The theme of Little Dorrit—financial ruin—is a little too close to the plight of filmmakers for comfort. In fact, Dickens' father spent some time in prison, near the studios, as a debtor. The studios themselves faced the possibility of closure last year when the money could not be raised for Little Dorrit.

The project was saved when Thoro EMI Screen Entertainment agreed to put up the entire £5m needed.

Lord Brabourne believes it is much too early to speculate whether Little Dorrit might make it to the Oscar ceremonies, but there have already been some remarkable performances at Rotherhithe, he says.

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# Post Office to offer staff private health care

By Philip Bassett

THE POST OFFICE is to offer discounted private health care to its 177,000 employees in what is thought to be the first big move of its kind in the public sector.

The Post Office's step is certain to cause acute embarrassment for its principal trade union, the Union of Communication Workers, because of the TUC's strong opposition to private health care.

Managers in the Post Office have been studying the idea of offering health care facilities to staff for some time. They held discussions with a number of the leading companies, seeking the best available discount for what PO managers expect will be a large take-up.

While the particular company to be offered the contract has still to be chosen, the decision to bring in such a scheme has been reached.

So far, the only public sector use of private health care facilities has been in some parts of the Civil Service and then only on a small scale. The FO scheme would set a precedent.

The Post Office has written to the UCU, asking what the union's attitude would be to the scheme, though PO managers are making it clear that the issue is not a subject for negotiation.

The union has written for advice to Mr Norman Willis, TUC general secretary, because of the scheme's implications for TUC policy.

Six years ago, when the EETPU electricians' union reached a private health deal for its members in the electrical contracting industry, it led to angry divisions within the TUC. Because of increasing privatisation, public service union opposition to private health care is now probably even stronger.

So far, the UCU has received no guidance on the issue from the TUC, and the union stresses its executive has taken no decision on the Post Office's move.

Mr Alan Tuffin, UCU general secretary, confirmed that the union was studying the PO's proposals, and said: "My personal position is that I don't see how we can stop it."

UCW leaders recognise that there are risks for the union internally if it fails to persuade its members not to take advantage of such a scheme.

One possibility is that the union may make no response at all to the Post Office's move, effectively sanctioning management implementation of the scheme.

However, the union is likely to come under pressure from public service unions such as the National Union of Public Employees and asked a further £1 a week for about 30,000 workers receiving less than the guaranteed minimum.

The offer, increased from 4.5 per cent and described by BR as final, will be considered next week by the national executive committees of the three unions involved—the National Union of Railwaymen, the train drivers' union Aslef, and the white-collar Transport Salaried Staffs Association.

There will be strong pressure in each union for acceptance. The NUR in particular will not rehash the prospect of moving towards disruptive action after its failure last year to effect a strike by guards over driver-only train operation.

BR's decision to give an extra £1 to lower-paid grades may clinch acceptance. The unions see this as a step towards their goal of abolition of the minimum earnings level.

The minimum would rise from £93.30 to £97.95 after a 5 per cent increase. Although workers on weekly rates below this would ordinarily receive the minimum payment, their basic rates are used for calculation of overtime and shift premiums.

RR, which had already cleared the way for a speedy settlement by attaching no productivity conditions to its previous offer, said the improved package would give lower-paid workers about 6 per cent overall.

Under the offer, the £82.60 weekly wage of a railman, the lowest-paid grade, would rise to £87.73.

A train driver's wage would creep up from £139.85 to £139.19, BR says, as weekly earnings averaging rates are £146.89 for a railman working 50.3 hours, and £203.20 for a train driver working 45.2 hours.

# Foremen's strike near as Ford refuses to lift offer

BY DAVID THOMAS, LABOUR STAFF

FOREMEN at Ford look set to take industrial action next week after the company refused yesterday to increase its latest pay offer.

A strike by one of the company's key white-collar groups such as foremen over a national pay claim would be unprecedented.

Members of the white collar union, ASTMS, who are mainly foremen plus a few computer workers at Ford, have voted by 1,402 to 739 to reject the company's offer and to strike.

At a negotiating meeting yesterday, the company stood by the two-year pay offer which, in the first year, is for 51 per cent, plus the consolidation of a weekly attendance supplement and an improved holiday bonus.

In the second year, the offer is for 6 per cent.

The offer was accepted yesterday by two other white-collar unions whose members had voted for it in a secret ballot—Tass, representing mainly engineers, designers and draughtsmen, and the white-collar section of the Transport and General Workers Union, representing clerical workers.

The ASTMS is to call its senior representative together on Tuesday to brief them on yesterday's meeting and organise industrial action.

Mr Psul Talbot, ASTMS national officer, said after yesterday's meeting: "There will be a strike unless the company improves its offer before Tuesday."

Mr Talbot said that next week's meeting would discuss the form industrial action would take, whether it would be a strike or a lesser form of action, and whether it would be by the whole ASTMS membership. He added that there was strong feeling in favour of an all-out strike.

The company has warned the ASTMS that back-pay arising from the settlement will not be paid to its members if there is a strike.

A strike by foremen would not necessarily have an immediate impact on production, though it could delay the implementation of the productivity elements of the agreement signed recently for Ford's manual workers.

A prolonged dispute over the ASTMS settlement could also raise the possibility of a fragmentation of the Ford white-collar bargaining unit, now that the two other white-collar unions have settled.

The ASTMS is angry that Ford's latest offer would give supervisory workers in the plants, such as foremen, less than the manual workers' agreement, which provides in the first year an extra 2 per cent for about 10,000 assembly-line workers plus 4 per cent general increase for changes in working practices.

Mr Talbot complained yesterday that the company had ignored the result of his union's "secret ballot."

Supplies of British Leyland spare parts could be hit by an overtime ban starting last night. Five hundred workers at the BL Unipart subsidiary at Horspath, Oxford, voted for a two-day strike from next Monday and an immediate overtime ban in their campaign for pay parity with Austin Rover workers at nearby Cowley.

# News International agrees talks

BY DAVID THOMAS, LABOUR STAFF

NEWS INTERNATIONAL agreed last night to meet Mr Norman Willis, general secretary of the Trades Union Congress, in a move which could pave the way for a settlement of the company's dispute with the print unions over the running of its plant at Wapping, east London.

The company's announcement came after exploratory talks with Mr Tom Rice, national officer of the electricians' union, the EETPU.

The meeting between the company and Mr Willis, probably to be held next week, is likely to establish whether there is sufficient common ground for News International to meet all the print unions.

The talks came as the print union, Sogat '82, indicated publicly that it had a fall-back position short of the reinstatement of its 4,500 sacked members and as signs emerged of pressure from the workers within Wapping for a settlement.

Ms Brenda Dean, Sogat general secretary, said in an interview in the magazine Marxism Today: "Our objective is to get our 4,500 members reinstated."

She added, however: "If that is not possible, because of job reductions with the new technology in Wapping, then we want decent compensation for those who will not be going back with the company."

News International said yesterday it would not reinstate any of the sacked printers, not even in its London printing sites outside Wapping, and that it would not pay general compensation to all the sacked printers.

It added that it might consider help with re-training and with hardship cases.

Nevertheless, evidence of pressure on the company for a quick settlement has emerged from two groups of its workers inside Wapping.

Members of the EETPU who are producing News International's four titles in Wapping have written to the company saying they had not been hired to displace other workers, and asking "that an honourable settlement is found for all concerned."

Journalists on the Sunday Times are also threatening to hold a disruptive chapel (office branch) meeting next Friday unless they hear proposals to resolve the situation from Mr Rupert Murdoch, chairman of News International, before then.

Journalists at the Daily Record and Sunday Mail last night accused management of lying and cheating during negotiations.

With 48-hours before the deadline for producing an Irish colour edition of the Daily Mirror in Glasgow, journalists accused management of adopting delaying tactics in order to provoke another confrontation at the weekend which could have the way for Mr Robert Maxwell's Mirror Group publishers, threats of massive redundancies.

# Injunction on pit closure lifted

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE NATIONAL Coal Board has been freed from a High Court injunction that stopped it taking steps to close Bates Colliery at Blith, Northumberland.

Mr Justice Macpherson yesterday refused to continue the temporary injunction granted to the National Union of Mine Workers last Wednesday because the union would not undertake to meet any financial loss suffered by the NCB as a result of the injunction.

The union had asked that the injunction continue until the hearing, expected next Wednesday, of its application for judicial review of the decision to close Bates.

Mr Conrad Debn, QC, for the NCB, said there was evidence that, far from making a loss in the short period before the judicial review, the pit, would, at worst, break even.

The judge said the absence of an undertaking from the union made it impossible to continue the injunction. There was an obvious potential loss to the NCB.

At the judicial review the NCB will contend that its decision to close Bates was the first time the NCB had rejected a recommendation by the independent review body set up after the 1984-85 miners' strike to consider proposed pit closures.

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# Engineering recovery long and arduous

By David Thomas

DR JAMES McFarlane, director-general of the Engineering Employers' Federation, has accused the Government of appearing indifferent to the plight of manufacturing industry.

Dr McFarlane said in the Federation's annual review that the engineering industry's recovery from the 1980-81 recession "is proving a long and arduous journey."

Accusing the Government of an apparent bias in favour of the service sectors, Dr McFarlane says: "We cannot all be market traders; somebody must produce the goods that are traded. The Government sometimes seems indifferent to the fact that an increasing proportion of such goods are manufactured in countries other than our own."

# Regional jobs policies 'effective'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

REGIONAL policies in the 1960s and 1970s were an effective and economic way of creating jobs in Britain's most depressed areas, according to a report commissioned by the Department of Trade and Industry.

The report, written by three Cambridge University academics, concludes that a total of 604,000 manufacturing jobs were generated by regional assistance in the 20 years to 1981.

About 154,000 jobs did not prove permanent, but those losses were more than outweighed by an estimated 180,000 jobs in service-related industries which followed as a direct result of the expansion of manufacturing.

The report, by Mr Barry Moore, Mr John Rhodes and Mr Peter Tyler, says that the average cost to the government of each job created over the two decades was about £40,000 in 1982 prices. The cost varied between different industries, however.

Some industries such as chemicals and steel received relatively large amounts of grant but created few, if any, jobs.

In some industries the evidence suggests that large payments of automatic capital subsidies encouraged companies to instal capital intensive equipment at the expense of labour.

Industries such as mechanical engineering, electrical engineering, vehicles and clothing received far less of overall expenditure but generated around 50 per cent of the total estimated regional policy jobs.

The cost for each additional worker in metal manufacture was £367,000 but in the clothing industry £10,000.

The report says that the most effective instrument of regional policy has been investment incentives such as the regional development grants, with the least cost effective measure the regional employment premium.

Although regional policy was less effective in the years of recession, it continued to make a significant contribution to employment in the Development Areas.

The report concludes that the results of the study suggest there remains a strong case for an active regional policy in the 1980s.

The scale of regional declines in relation to what policy has so far achieved, however, is alarming. For regional policy to have solved the problems of the 1970s it should have been around three times more effective than it was.

The Effects of Government Regional Policy, £2.25; HMSO.

# Committee to advise on future of Alvey project

BY DAVID FISHLICK, SCIENCE EDITOR

A TECHNICAL committee of 23 under the chairmanship of Sir Austin Bide, chairman of BL, will advise the Government on the future of the £350m Alvey research programme. It will report its findings in October.

Alvey is a five-year collaborative research programme which brings together research-based companies and academic institutions, in quest of advanced computing technology such as artificial intelligence.

If successful, it will lay the foundations for a fifth generation of commercial computers in Britain.

With Alvey in its third year, there has been growing concern about the possibility of the programme being wound up in 1985.

Many of the research projects funded by the Alvey Directorate in London are expected to stretch into the 1990s before yielding commercial results.

The directorate co-ordinates a national programme involving more than 60 companies, 46 universities and polytechnics, and five national laboratories.

It works through consortia or groupings of academic and industrial research teams, which initiate joint proposals for "Alvey money." In its first two years the directorate funded more than 100 out of some 550 proposals put forward.

Sir Austin, announcing the names of the committee, said a big task would be for it to decide the proper balance between British and European research effort and Britain's relationship with European programmes such as Esprit, Eureka and Race.

# ECONOMIC DIARY

TODAY: Conservative local government conference, Wembley conference centre.

TOMORROW: The Queen and Prince Philip begin state visit to Australia (until March 13).

MONDAY: EEC Industry Ministers meet in Brussels to discuss state aid for shipbuilding, raw materials for the bio-tech industry, and type approval for telecommunications terminal equipment. Ulster Unionists strike against Anglo-Irish agreement. Mr David Steel, Mr Roy Jenkins and Mrs Shirley Williams speak at Alliance conference on economy.

TUESDAY: UK official reserves for February. Capital issues and redemptions (during the month of February). London and Scottish banks' February monthly statements. Meeting of Pacific countries' ministers meet EEC foreign ministers to discuss sugar prices. Initial deadline for BL sell-out bids. Launch of Mr Eddie Shah's newspaper Today. TUC president Mr Ken Gill visits Rosyth dockyard. Current session of US/Soviet arms talks ends, Geneva. FT two-day conference opens cable TV and satellite broadcasting. Hotel Inter-Continental, WI.

WEDNESDAY: Advance energy statistics for January. Appeal Court judgment in Liverpool and Lambeth illegal budget cases.

THURSDAY: Fourth quarter balance of payments. EEC environment ministers meet, Brussels. Insurance Ombudsman's annual report published. Geneva Motor Show opens (until March 16). Paris Club scheduled to meet on Poland's official debt. Bundesbank council meets in Frankfurt. Barclays Bank final results.

FRIDAY: January final figures of car and commercial vehicle production. Housing starts and employment in January. Fourth quarter house renovations. Mr Neil Kinnock, Labour Party leader, visits Rosyth dockyard. Scottish Labour Party annual conference opens, Perth (until March 18). Hang Seng Bank annual results.

# Railway workers' offer raised

By David Brindle, Labour Staff

BRITISH RAIL yesterday improved to 5 per cent its general pay offer to 140,000 railway employees and asked a further £1 a week for about 30,000 workers receiving less than the guaranteed minimum.

The offer, increased from 4.5 per cent and described by BR as final, will be considered next week by the national executive committees of the three unions involved—the National Union of Railwaymen, the train drivers' union Aslef, and the white-collar Transport Salaried Staffs Association.

There will be strong pressure in each union for acceptance. The NUR in particular will not rehash the prospect of moving towards disruptive action after its failure last year to effect a strike by guards over driver-only train operation.

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A train driver's wage would creep up from £139.85 to £139.19, BR says, as weekly earnings averaging rates are £146.89 for a railman working 50.3 hours, and £203.20 for a train driver working 45.2 hours.

# Promotions at National Westminster Bank

Mr John Wallace has been appointed a deputy general manager of NATIONAL WESTMINSTER BANK'S management services division. He was managing director of Centre-File, the bank's computer services subsidiary, for the past four years and will remain on its board. Mr Jim Grayson takes over as Centre-File's managing director. Previously deputy managing director, he joined Centre-File in 1979, following its acquisition of Management Computer Services. Mr Alan D. Pain has been appointed senior executive of NatWest's treasurer's department, international banking division. He was senior manager (foreign exchange) of the bank's world money centre.

LEATHERBY AND CHRISTOPHER has appointed Mr Ron Zaner as managing director. He was previously managing director of a division of Macca Leisure which included Crisdon Caterers and Warner UK Holidays.

Mr Clive Ward has been appointed director and general manager of Technology Computers. He was a senior marketing consultant with IBM. Mr Geoff Jackson has joined the board of Technology Equipment and Maintenance. He was with Prime Computer (UK).

Mr Geoffrey Codd has been appointed to head the planning and IT services at the EXPORT

CREDITS GUARANTEE DEPARTMENT. He will be responsible for co-ordinating and implementing organisational changes within ECCD, agreed following last year's Chapman Review of the Department's management and organisation. He was with Brooke Bond Group.

DON & LOW has appointed its first marketing director, Mr Robert W. Low.

Mr D. J. Goldman has been appointed managing director of BENFIELD, LOVICK & REES (HOLDINGS) and Mr M. C. Harding, managing director of Lovd's broking company, Benfield, Lovick & Rees & Co. Mr G. D. C. Chilton and Mr G. E. Goodbody have been appointed directors of Benfield, Lovick & Rees & Co.

Mr Norman Sherwood has been appointed chief executive of WIMPEY ENGINEERING and WIMPEY OFFSHORE. Prior to joining the Wimpey Group in 1984, Mr Sherwood was a director of the William Press Group and chief executive of Press Construction and Press Offshore. Mr Michael J. Wood becomes managing director of Wimpey Offshore, while remaining managing director of Wimpey Engineering. He has been with the Wimpey Group for three years and was formerly deputy managing/business development director at Protech International.

Mr Wesley Keya has been appointed to the group board of WALTER ALEXANDER. He is presently managing director of Walter Alexander & Co (Coach-builders), based in Falkirk.

Mr Dennis Stevenson has been appointed a non-executive director of the SRU Group, which is involved in specialist consultancy business, office property development and in the provision of venture capital. He is also a director of Tyne Tees Television, the London Docklands Development Corporation and the National Enterprise Board.

Mr David Deax has been appointed managing director of YELCON PLASTICS, a subsidiary of Reed International. He replaces Mr Jack Browne who has retired.

Mr Roger Mabey has been appointed to the board of BOVIS CONSTRUCTION. He remains responsible for all Marks & Spencer construction. Mr John Newton rejoins as director, sales and marketing. He has been sales and marketing director with both Higgs & Hill and Fairclough Building. Mr Bernard Hodgson becomes surveying director. Mr Tony Farmer has been appointed commercial director of Bovis International. He was operations director.

Mr Maledin J. Stuart has been appointed an executive director of HOLROYD CONSTRUCTION. He was an executive director of Peter Birse.

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Saturday March 1 1986

The Budget plot thickens

MR Nigel Lawson, clearly a man who understands power plays, will appreciate the poker game now going on in the oil market. It seems to be one of those games in which most of the cards are played face up, so there is no great mystery about the hand which the leading gambler, Sheikh Yamani, is trying to play. As he has explained, he is driving down the price of oil in order to persuade other producers to share in the cost of controlling the market. With one notable exception, he appears to be achieving his objectives. A number of other producers, some of them previously undisciplined members of Opec, and some of them large non-members such as Mexico, are now calling for production restraints. They would rather have a smaller share of a more rewarding market, and also incidentally conserve their oil reserves.

Miscalculation

The one miscalculation of the Saudis has concerned the effect of the price target. The Government refused to be panicked when the falling oil price brought sterling down with it; and the financial markets, instead of recoiling in dismay, mounted a celebration. Thanks to this robust political and financial response, the Government can now convincingly argue that it, at least, is undismayed by anything the Saudis can do. Indeed, Britain now appears to be more in the position of the Saudis themselves than of other producers. Just as the Saudis can live with a lower price because they have a large reserve capacity to produce oil, Britain can live with it because it has a large unused potential to produce things other than oil.

The Saudis now seem to have acknowledged that Britain will not throw its hand in, but are continuing their play just the same — meanwhile skilfully marketing their oil through network deals which will yield high revenues if they achieve their major objective, and get effective restraint from most other producers. It will be harder without Britain, but not impossible; British production is already past its peak. It will obviously be many months before the oil prospect is anything like clear; indeed

IN CUBA this is the time of the "zafra," the sugar harvest. Up and down the island every resource is being mobilised for what is still the country's principal economic activity: the production of sugar and its derivatives. The zafra is normally followed closely in the press with reports couched in language more suited to some arcane sports fixture. Rival teams of co-operatives vie to produce more and individuals toil to become celebrities by winning the accolade of "millionaire" for the amount of cane cut.

But this year public discussion of the zafra is muted. Word has gone out that the harvest is little short of disastrous. A combination of drought and damage wrought by Hurricane Kate last autumn could reduce the original target of 8m tons to below 7m tons. This means that Cuba will almost certainly be unable to meet its commitments to supply the Soviet Union and other countries in the Comecon bloc.

In the past this would have mattered little. Cuba has traditionally been viewed as the weak infant in the Comecon family, whose strategic position in the Caribbean on the door-step of the US automatically ensures Moscow's indulgence. But with the arrival of Mr Mikhail Gorbachev in the Kremlin—and his new emphasis on economic efficiency—the clear directive to Dr Fidel Castro is that Cuba's performance must improve. The message from Moscow, in short, is that international solidarity among socialist countries should not be taken to mean that some can live on a permanent soft subsidy. These new pressures on Cuba come at a time when the economic battle has already superseded the earlier and more basic struggle to ensure the survival of the revolution against US attempts at destabilisation. In the 26th year since the end of the Batista regime middle age has overtaken the Cuban revolution.

The larger-than-life figure of Fidel still strides the Cuban stage but he is mellowed, less dogmatic. His flowing beard has thinned and turned grey and the trade mark cigar has gone. Since last August he has given up smoking in public, and although he is remarkably fit in his 60th year, the strain of running Cuba for the past two and a half decades has taken its toll. His mellowed mood has even led him to muse on the attractions of liberation theology, while his political nose has led him to embrace the debt issue and to find new acceptance in Latin America.

The new relationship with Eastern bloc countries was underlined last month when Castro revealed at the third congress of the Cuban Communist Party that the country had been obliged to buy some 500,000 tons of sugar on the open market to make up the shortfall in its Comecon commitments. But while the announcement was greeted with loud applause the reality for those managing the Cuban economy is more sober. This year's hard currency earnings from free market sales of sugar, which Cuba originally hoped would be about US\$230m, could be nearly wiped out by the need to buy for Comecon. Although the more hard-nosed Soviet attitude has imposed strains, the effect is not nearly as severe as some analysts in Washington would pretend. More important is the

CUBA'S NEW CHALLENGE

The Castro revolution faces up to middle age

By Robert Graham

way in which recently developments have highlighted the growing distortions and contradictions created by Cuba's dependence upon the Soviet Union and its allies.

Since the US blockade of revolutionary Cuba, the Castro experiment in socialism has been subsidised in four main ways: through the provision of oil supplies to make up for the country's energy shortage; through the purchase of sugar at a fixed price above the market rate; through soft trade credits and grants; and through military assistance. Senior Cuban officials decline to comment on Western diplomatic assessments that East bloc assistance amounts to the equivalent of \$4bn a year. Nevertheless, they do admit that, especially during the last four years when other Latin American countries have seen the flow of aid and fresh money dry up, Cuba has not suffered in the same way — thanks to their Soviet allies.

Of particular importance have been the oil supplies and sugar purchases, the latter often at five to six times the market price. This has been a tremendous cushion against the effects of a slack sugar market that has so damaged other Caribbean economies. But it has equally encouraged the Cuban authorities to concentrate too much on sugar at a time when all other economies in the region have been seeking to diversify their production through diversification. The new five year plan now being launched perpetuates the predominance of sugar, again through a big guaranteed price for the commodity.

Russian energy supplies represent a more curious distortion. The Soviet Union is understood to supply approximately 10m tons of crude oil and products a year. Any saving that Cuba can make either in the form of higher domestic oil production or rationalisation of energy use frees a part of this 10-ton Soviet supply for hard currency sales. Last year sales of this "surplus" crude were worth over \$600m, according to officials at the



Under Soviet pressure: Fidel Castro at this week's Communist Party Congress in Moscow

Marxist in a state ruled by a tightly-run Communist Party should feel free to indulge in theological discussions and talk freely about his Catholic upbringing underlines the extraordinary individuality of Cuba's leader and of Cuba itself in the context of Socialist countries. Aware of his own mortality, however, Fidel has sought to prepare the succession. This was one of the main aims of the party congress which conferred the mantle of succession unequivocally on his younger and more introverted brother, Raul, aged 54. Raul's wife, Vilma Espin, a prominent figure in her own right as leader of the Cuban Women's Federation has joined

with school children who join the Jose Marti pioneers (a politicised boy scout/girl guide equivalent) through to neighbourhood defence committees (committees for the defence of the revolution). The CDRs incorporate 83 per cent of the population over 14, or some 6.5m people. Beyond this is the vanguard of 532,639 in the Communist Party.

Such organisation reflects the regime's deep-felt insecurity. From an early age, Cubans are taught the need for permanent vigilance against the dirty tricks of the CIA and the exiles in Miami. The authorities are afraid to drop their guard, but the Sunday militia training sessions, where groups of men and women learn to strip AK-47 rifles or prepare booby-traps, have a more informal air in the main city squares. The CDRs themselves are now more concerned with the organisation of vaccination programmes or the monitoring of local crime than denouncing counter-revolutionary neighbours.

Castro's mellowed mood has even led him to muse on the attractions of liberation theology while his political nose has led him to embrace the debt issue

has been punctilious in repaying until now. Furthermore, it will keep Cuba within a vicious circle: the country needs to diversify its trade and earn more hard currency, but to do so it has to have access to Western credit.

The pressure may be eased within the next three years when the first of three Soviet-supplied nuclear power plants is due to come on stream. But Cuba's nuclear power programme is at least five years, perhaps seven, behind schedule. The same applies to plans to raise nickel production capacity from 40,000 tonnes to 100,000 tonnes a year. Comecon is investing some \$1.6bn in this project, which is nearly five years behind schedule. Nickel is an important potential hard currency earner, provided Cuba can produce efficiently and in large enough quantities. For Cubans of all walks of life, Cuba without Fidel is unthinkable. That a committed

Since Ramiro Valdes's departure from the Interior Ministry, the mood of relaxation has been palpable and there has been a slow but clear liberalisation in all aspects of Cuban life. Even the notion of property has been turned on its head. In the past 12 months, Cubans have been able to purchase their own homes. Instead of paying rent, equivalent to 10 per cent of salaries, they can convert this into a "mortgage" — the difference being that they become responsible for repairs and enjoy rights of inheritance. So far 200,000 home ownership deeds have been handed out in a population of 10m. As a result, an unofficial house market has grown up. The new economic plan proposes the construction of 180,000 private homes, the same number as the state is due to build. Another experiment is peasants' markets, where surplus goods produced by farmers are sold at street prices.

Such developments are now taken up and parodied in films and theatre. Cubans these days often surprise visitors by the candour of their complaints — the cumbersome system of ration cards, that labyrinthine bureaucracy that alienates citizens behind mountains of cheaply printed forms. "No one is more critical than Fidel," from his report to the Party Congress: "An inadequate and unstable supply of consumer goods, particularly clothing, footwear, home furniture and linen, as well as lack of variety, inappropriate sizes, poor finishing, and outdated and repetitive designs, aggravated by irrational distribution." A visit to any shop or department store invariably reveals shoddy goods, limited choice and long queues. Attempts to be more sensitive to consumer needs followed the exodus in 1980 of 120,000 Cubans disillusioned with the system. But the growth of disposable incomes has not been matched by supply. Those with access to dollars can buy in hard currency shops but most have to put up with high prices on the free market (rationing covers just under a third of consumer goods). Meanwhile the visitors live almost exclusively in a dollar economy, including special dollar-denominated taxis. Discontent with the lack of consumer goods is greatly mitigated by the all-embracing welfare state, especially in the fields of health and education. The Cuban average diet of 3,000 calories per day is exceptionally high for Latin America. With single-minded dedication, tropical diseases have been conquered and illiteracy wiped out in rural areas, making the Cuban peasant the best off in the region: Cuba has one doctor per 430 inhabitants and it shows in the strapping health of the school children. These are genuine achievements. But the Cubans are increasingly aware that their welfare state is a luxury underpinned by a superpower rather than domestic resources — and a superpower which is keeping an increasingly watchful eye on this subsidised Caribbean experiment in Socialism.

THE YOUNG NUN adjusted her glasses and explained, almost apologetically, that she did not normally indulge in heroics. Last Monday was an exception.

She had joined tens of thousands of other ordinary Filipinos in a demonstration of "people power" outside Camp Aguinaldo where Mr Juan Ponce Enrile, the ex-president's Defence Minister, was holed up after rebelling against President Marcos.

Not far away a Philippine army tank, leading an armoured column, edged its way through the people, its big gun swivelling. As it approached, the nun, who had been linking hands with others from her order, the Daughters of St Paul, dropped to her knees in its path.

She was joined by another nun, clutching her rosary, and then another. The tank stopped. The nuns led the demonstrators in prayer. "One of the sisters sprinkled holy water on the tank," she recalls "and another asked the young commander whether he really intended killing all these people. He told us he had orders to do so, but he couldn't. We had prayed for a miracle and it happened."

Divine intervention may have been responsible for stopping the tanks on that crucial day. But to Mr Marcos beleaguered in his palace and to his erstwhile ally in the White House, no single image could have driven home more forcefully the strength of anti-Marcos feeling in the country. It symbolised perfectly the notion of a battle between an innocent people and a repressive regime, between good and evil and it probably pushed Mr Marcos over the brink.

The young nun in question does not want to be named because she does not see why she should be singled out when so many others were there too. She also admits, when pressed, that her order worries about reprisals. The Daughters of St Paul is unusual in the Philippines in that it had never taken part in a political demonstration until it came out in support of President Corason Aquino.

Woman in the News

The Philippines Sister-power stops the tanks

By Alain Cass



The Roman Catholic church has, over a number of years, played a key role in attacking Mr Marcos and his fraudulent electoral practices. Catholicism in these islands is a legacy of more than 300 years of Spanish colonial rule which ended at the turn of the century. The church claims the support of 85 per cent of the country's 54m people. Cardinal Jaime Sin, Archbishop of Manila, is a powerful political force while, in the provinces, the clergy's key role is illustrated by the fact that the church and the town hall are usually next to each other. Nuns and priests demonstrated against Mr Marcos in the past and quite often negotiated with riot police and the army during demonstrations in

an effort, not always successful, to prevent violence. One irony of this week's events is that ex-President Marcos has an aunt and a cousin who are nuns. One of Mrs Imelda Marcos's sisters is also a nun. Our nun—we could call her Sister Aquino—belongs to a convent of 70 sisters. "We decided that this time, we had to do something," she says. "So we offered to help Namfrel, the opposition polling watchdog, during the counting." Sister Aquino and a group of others spent five nights guarding ballot boxes at Passi City, a suburb of Manila. They worked in shifts round the clock. "On the night," says Sister Aquino, "a group of Marcos goons surrounded City Hall. We had been told, if we heard gunshots, not to run away. It was only meant to intimidate us so that they could come and take the ballot boxes and stuff them with Marcos votes. "Then we heard that the goons would attack at two o'clock that morning. So we all linked arms around the ballot boxes. Some of us held rosaries and holy water. Others held candles. At two, this strange group of men came in. One had a black eyepatch, some were barefoot, others carried clubs. I felt as if I was under sentence of death. We had been told by Mother Superior that we should be prepared to die. And we were. But I'm no hero and my knees were shaking. We recog-

nised some of them as prisoners from the local jail.

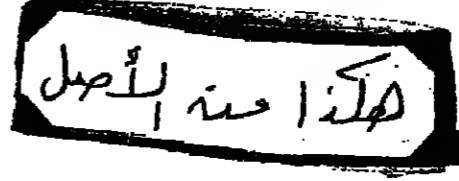
Just then some foreign correspondents arrived and we begged them to stay. They left at dawn. I don't know what would have happened if they had not been there."

Sister Aquino, who comes from the central Philippines, always wanted to be a missionary. "I remember seeing all those pictures of Africa and India and it filled me with a desire to go." She became a novice when she was 19 and took her vows eight years later. She talks fluently and confidently of her growing disillusion with the Marcos regime and the church's obligation to take a political role. "You know they call us the martial law babies. We have known nothing else. This country desperately needed change—employment, better education, investment—but more than anything, dignity. The way I see it voting is a political act. So if nuns vote why shouldn't they demonstrate?"

Sister Aquino admits, however, that the church's political role has got it into trouble with the Government and some ordinary people in the past. "Marcos used to say that nuns belong in convents and women belong in the kitchen and in the bedroom," she giggles.

Looking back on the extraordinary events of the past two weeks Sister Aquino says she does not know how she did it. "None of us ever thought that, just because we were nuns, Marcos wouldn't shoot at us. But the soldiers at the camp begged us to stay, so we did." When a rebel helicopter bombed Villamor Air Base, which is near her convent, Sister Aquino and the other nuns thought this might be an attack on them. "There had been such an explosion of moral values that we thought anything could happen." She smiles and pauses before adding: "People keep saying 'thank you' to us. The soldiers too. I reply that we moved but it was God that intervened." And with that she goes off to mass.

Alfred McAlpine
Year ended 31st October
1985 1984
£000 £000
Turnover 393,078 340,090
Profit before Taxation 23,047 22,644
Profit after Taxation and Minority Interests 13,847 16,043
Dividend per Ordinary Share 12.5p 11p
Net Assets per Ordinary Share 224p 215p
\* Both turnover and profit before tax at their highest level.
\* The Group, now reconstructed into four operating divisions, is successfully broadening its activities.
\* All our interests in South Africa sold after the year end with proceeds being invested in the U.S.A.
\* For the fifth successive year the Directors recommend an increased ordinary dividend, now covered 3.1 times.
\* Shareholders Funds at the year end more than £81 million and now stand at £96 million after including surplus on disposal of South African interests, increasing net assets per ordinary share to 267p.
Alfred McAlpine PLC
Hooton, South Wirral, Cheshire L69 7ND





THE BENEFICIARIES of the last will and testament of Bobby Ewing, late of Dallas, include the British video software industry.

The 12 episodes of the latest series of the television soap opera, featuring Bobby's funeral, the reading of the will and the fight for control of both Sue Ellen's alcoholism and Ewing Oil - set to be screened by the BBC - are already in the possession of British video users, placing them several disasters ahead of the TV audience.

The fact that since last autumn it and other video tapes have for a flat £8.99 been sold as opposed to rented - to the public in their hundreds of thousands marks the most significant change to occur in the industry's still brief history.

Until then the industry was based on renting. People who had video cassette recorders (VCRs) hired films from "video libraries". Chinese takeaways and petrol stations for a fee ranging from 50p to £2.50 a night. Many shops were willing to sell tapes, but at £50 each for a box office success like Rambo the price was too high.

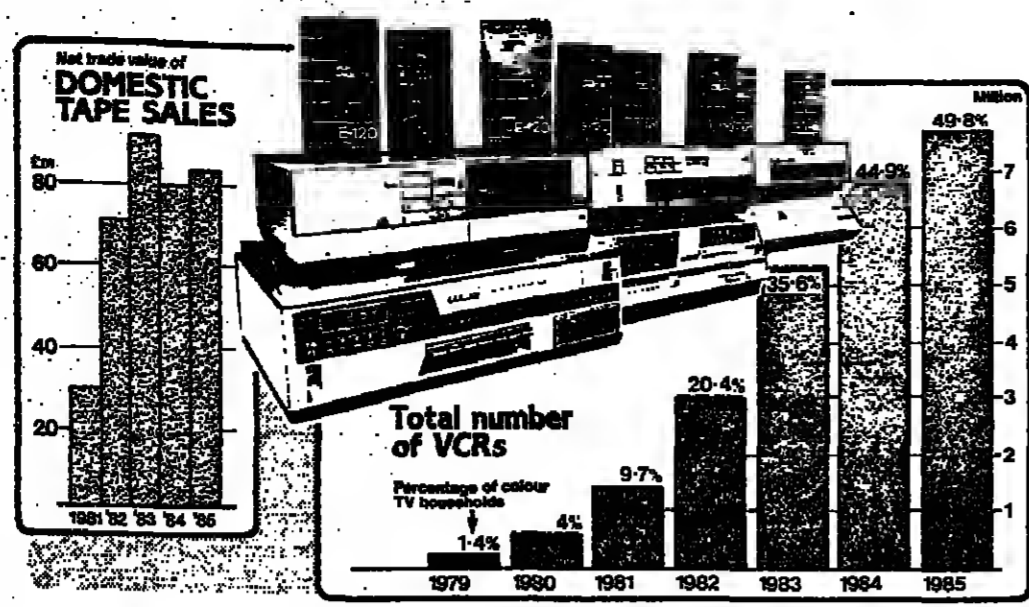
So the launch last October by Prestwich Holdings, the Manchester entertainments group, of The Video Collection, which sells tapes for £6.99 has turned the industry upside down. It also contributed greatly to the upturn in the industry's fortunes which the British Videogram Association announced yesterday.

The BVA represents the top 29 distributors of recorded videos in the UK including the British arms of the Hollywood film majors such as Warner, Columbia, CIC, (Universal/Paramount), Fox and Disney. The distributors sell to the shop which rent to the public.

"This time last year we were wearing black armbands," says Mr David Rozalla, BVA chairman and managing director of Warner Home Video, market leader of the big four distributors. "But the market has bottomed since 1985 promises to be the best year for the software industry. It's the return to the boom."

That last boom peaked in 1983, with £22m of domestic tape sales. Then came the downward spiral. Revenue fell to £80m in 1984 and the first three-quarters of 1985 showed every sign of further deterioration, with figures down to £48.6m.

The decline came about primarily for the reason that many people who were avid Trivial Pursuit players three years ago now find the green lid covered with dust. New VCR enthusiasts were active tape renters - in 1980 when the number of machines totalled 560,000, up to 70 per cent of those who owned or rented video players were "active users". The trade term for those should be enhanced by the



# The industry flicks a fast-forward switch

By Fiona Thompson

renting at least one film a week. Last year 49.8 per cent of households with colour TV had VCRs - 7.7m machines - and only 26 per cent were active users. Apart from the novelty wearing off, three other factors hastened the decline according to Mr Rozalla - an over-capacity of rental outlets, a shortage of "blockbuster" films, and warm summers, which encouraged people to stay outdoors. In the early days, rental outlets appeared on every street corner as small entrepreneurs saw an opportunity for a business with low start-up costs. By 1983, the peak year, there were 16,500 rental outlets - 6,500 specialist "video library" shops, 2,500 television hire multiples and 7,500 non-specialist shops, as newsagents, grocers, laundrettes, off-licences, petrol stations and Chinese takeaways. A year later, as rental demand waned, a shake-out began, which has cut the number of rental points to 10,000. The rental business, however, is not about to disappear. The video makers' costs are such that the 80 to 100 new films released each year will at least for their first year appear solely on the rental market. This measure of stability should be enhanced by the growing sophistication of the post-Chinese takeaway rental outlet. Today the average specialist shop has a stock of 2,000 titles - some have up to 6,000. A typical library includes 100 top 50 - currently including Rambo Part 2, Beverly Hills Cop, The Killing Fields and A Passage to India. The bulk of the non-specialist shops have anywhere between 100 to 350 titles, concentrating on the chart toppers, children's films and soft pornography. When Paul Levinson, Prestwich Holding's chairman, launched the Video Collection's first 50 titles last autumn, he did so in an exclusive deal with F. W. Woolworth. "We hit 865 High Streets immediately," says Mr Steve Ayres, managing director. The impact was enormous. By the year-end, 700,000 tapes were sold - 20,000 of the first two Dallas episodes. For the quarter, the 700,000 tapes sold to the public represented the same number as those sold to the retail trade by all the other distributors combined. It is a success which has sparked a re-assessment of the whole industry's outlook. Some think that the rental business will become like the hard-back side of books - largely library-based and much smaller than the market for cheaper paperbacks. As if to emphasise the analogy, the Video Collection has signed a deal with W. H. Smith to sell its tapes in all 263 shops from today. By early March, the Collection's tapes will be on sale in five Virgin record megastores and in the Morrison's chain of supermarkets in the North. "We're at the handshake stage with Harrods," says Mr Ayres. The 118 titles in the present catalogue include classic films, children's programmes, music and sport videos and recent cinema box-office hits. The classics, from High Noon to Hitchcock, and children's films sell best. Mr Ayres says his company will sell in excess of 3m tapes this year and that the industry overall will be worth £100m; 25 per cent sales and 75 per cent rentals. Competing with The Video Collection from Monday will be Channel 5, a joint venture launched last month by Heron International. Mr Gerald Roston's privately owned property, petrol station and financial services group, and Polygram International, the record company, Channel 5's initial 50 titles, including Sophie's Choice and Citizen Kane, will be priced from £6.99 to £9.99. Each quarter 25 new titles will be released. W. H. Smith and 400 specialist shops will stock Channel 5.

Mr Michael Goldstein, head of Channel 5, and general manager of Polygram Video, estimates that the company will achieve sales of £20m this year. In terms of the entire industry, "by the end of 1987 the sale market will exceed the rental market in net trade value," he says. All the major distributors - Warner, Thorn EMI Screen Entertainment, CIC and Columbia - have said they intend to enter the market. Their big worry is that the margins will prove too tight. The average cost of each film bought by retailers for rental use is £30 to £40. The Video Collection achieves its £6.99 price tag by economies of scale. Mr Ayres says: "When you are selling in the quantities we are, our buying power in terms of purchasing the tape, the duplication costs and royalties is very favourable."

The costs of duplicating tapes averages out at about £4 a time for the major distributors, who may order as few as 50 copies, compared with £2 or less for the sale videos. A two-hour film will take two hours to duplicate. There is no high-speed copying done in this country. There are some high-speed machines being used in the US, but they produce only a small proportion of the tapes coming on to the market. Mr David Tuckman, chairman of Fraser Perceock Video, the second largest video duplicating business in the UK, which has an exclusive deal for all Channel 5's duplicating, says the US machines would need a complete electronic redesign to work in the UK. Thorn EMI Screen Entertainment, which set a day one record with its January launch of Rambo Part 2 selling 48,500 copies to the trade, will enter the sales market "this year," says Mr Les Smith, general manager UK distribution.

As policy, the company, which has the rights to over 2,000 titles, will not sell film videos until one to five years after the rental release. "The maximum effort must be made in the early stages to protect the rental market because it is the most profitable area for both the retailer and the distributor," says Mr Smith. The UK, pioneer of the video distribution industry, is also leading the way in the sales market. Warner's Mr Rozalla says: "What Levinson at the Video Collection has shown the Hollywood majors is that there is life after rentals exploitation. If the product is priced sensibly it will sell in appreciable volume. "All the distributors are looking at the sale market with great interest. We are still a young business. Whoever expected us to get it right in three or four years?"

# Ulster's strike call

## The tensions within the Unionist ranks

By Margaret van Hattem

IF next Monday's strike in Northern Ireland succeeds in bringing the province to a grinding halt, Mr James Moynihan and the Rev Ian Paisley will be quick to point out that it was all their idea. As leaders of the two main Unionist parties it was, after all, they who issued the formal strike call in protest at the Anglo Irish agreement. But if the strike should lead to mayhem, violence, injury and loss of life, they have their escape route ready. Yesterday they issued a "directive" to all taking part in the strike to behave peacefully and remain within the law. For, as Mr Paisley pointed out, to accept responsibility for anything else would be "very foolish."

"We called the strike and we take responsibility for those who behave as we direct," he added. "But we are not controlling anyone." It is not clear whether the irony of the last sentence was intended. But it has become increasingly clear since last Tuesday that the two Unionist leaders are indeed not in control - not even within their own parties. To fascinated observers, inside and outside the Unionist parties and parliamentary movements, it is clear that a power struggle is taking place. The Unionist U-turn 12 hours after grasping Mrs Thatcher's offer of a face saving formula has baffled many on both sides of the Irish sea. Here was the Prime Minister offering them as much consultation as they wanted while she in return would consider all their requests on Westminster procedure and devolution talks. At midday on Tuesday, Mr Moynihan and Mr Paisley emerged from the meeting indicating that it would do. The agreement was not negotiable, but they would take up the offer of three weeks to think about things and consult their parties. Twelve hours later, they announced that all talks with the Prime Minister were off, and that Monday's strike was on. What wondered many, had happened.

First of all, Mr Paisley started to have second thoughts about how all this would go down at home. By 6 pm, when he arrived back at Belfast's Aldergrove Airport and spoke to reporters, it was clear he was not happy. Whereas at noon, Mr Moynihan had binned the thought the threatened strike was nothing to do with him or Mr Paisley and they had no contact with the organisers it might not now go ahead, by 6 pm Mr Paisley was stressing how he had warned the Prime Minister that the strike could be dire and that she, too, had better rethink her position. He then went home to a meeting with his deputy, Mr Peter Robinson (Democratic Unionist MP for North Belfast), and a group of Loyalist activists who have for some time been working with Mr Robinson, and who include representatives of the Ulster Defence Association (the legal Unionist paramilitary organisation), the Orange Order, the Apprentice Boys (another Loyalist organisation) and workers' representatives.

At this meeting, Mr Paisley defended his earlier position, arguing it was Mrs Thatcher who was not going to budge and that at this stage, a strike might be inadvisable. But Mr Robinson insisted that Mrs Thatcher's offer was insultingly inadequate, and that the various Loyalist groups were now all geared up and eager to strike. Members of several Loyalist organisations have subsequently accused Mr Robinson of misrepresenting them - they say, is the one pushing for action. They have merely responded to his demands. Mr Robinson then invited the group to accompany him and Mr Paisley to the Official Unionist Party's Glengall Street headquarters in Central Belfast for a meeting of the joint steering committee, set up to coordinate resistance to the agreement and comprising representatives of both Mr Paisley's DUP and Mr Moynihan's OUP.

Several OUP members were annoyed at the way the DUP seemed to be taking over their headquarters and insisted that Mr Robinson's Loyalist group should not be admitted to the meeting. So they remained in a downstairs room, the head of the group, Mr Peter Robinson, was on upstairs. But their presence appears, in some way, to have made itself felt. Whereas all the OUP MPs present including Mr Moynihan began by supporting the original response, they ended up opting for a breaking off of talks and a strike. Both Mr Paisley and Mr Robinson appear to have argued persuasively at this meeting for the harder line, and to have been supported by Northern Ireland Assembly members and other representatives of both parties. At one point, Mr Moynihan indicated that, in view of the rebuff to his earlier decision, he felt it was only proper for him to resign. But he was quickly talked out of this, especially by Mr Paisley. Within the DUP, it is clear from Mr Paisley's hurried and contradictory statements within the last 24 hours that he has been rattled by Mr Robinson's feat for several years now, Mr Robinson has been largely responsible for building up the party machinery while Mr Paisley took the more public role. In the process he has constructed a strong power base. In recent weeks, moreover, he has broadened this base, reaching out to activists in established loyalist movements as well as the mushrooming but still unco-ordinated committees of workers and paramilitaries. Meanwhile, back at the OUP a number of members - including Mr Harold McCusker, the deputy leader, and Mr Frank Miller, the general secretary - have shown signs of disenchantment with Mr Enock Powell's influence on the party. They have dropped hints that they would support a much more radical strategy - possibly even including direct negotiations with Dublin - if that would lead to the replacement of the Anglo-Irish agreement by something that put Dublin's relations with Unionists on a more stable footing. Mr Moynihan, so far under no direct threat, has survived many past challenges by sitting tight, keeping his head down and re-emerging when his rival overcame himself and headlined. Perhaps this time Mr Paisley is taking a leaf from his book.

## Orderly House

From the MP for Halesowen (C) Sir - Kevin Brown speaks his indignance and 'orderly' in his article (February 22) on the House of Lords by attacking its ceremony and love of tradition. Ceremony is an essential part of the constitution, as Walter Bagehot pointed out a century ago, and pedigree and tradition emphasise the continuity of this ancient nation. Mr Brown sneers at the Lords' lingering attachment to the Middle Ages and writes of sensible men dressing up in paninone costume when the Queen opens Parliament, and the silly ceremony of the introduction of new peers, but ordinary people love these things and greatly value them. Indeed, it is probable that the humblest to the highest in the land feel a glow within them when they witness the opening of Parliament which is quite beyond the ken of intellectuals. As they watch, they feel part of the glorious history of England and they see the Queen wearing her Crown and sitting on her throne who represents every one of us. The splendour of the Lords wearing their coronets and in their scarlet and ermine robes, the bishops and the judges all help to underpin the monarchy. Even republican France still relies heavily on Napoleonic tradition in public ceremonies. But when it comes to ceremony this country does it better than anyone else - and quite naturally with perfect dignity. No wonder we are proud of it. It also adds greatly to the cohesion of the nation. John Stokes, House of Commons.

## Bare facts about hospital cover

From Mr J. Chauver Sir - Your otherwise excellent report, "Cover for your hospital bed" (Finance and the Family, February 15) omits any mention of the shortfall which can arise between the expected and actual return on hospital cash plans. Although schemes offering additional benefit open up the possibility of private health care to those who could not otherwise afford it, the benefits offered are nothing like the total cost of, for example, maternity cover. The figures in your table of £50-£160 a week compare with, to take one component, daily payed charges of £110-£175. While all of these schemes offer benefit for each day spent in hospital, this is not the same as each day absent from work due to illness. With the improvement of medical knowledge and increasing availability of day-care surgery, the average length of stay in hos-

## Letters to the Editor

pital is declining, whereas the time needed for convalescence is not. The expected number of days' hospitalisation due to acute illness is 0.8 per annum for an individual or less than a day a year, whereas the average working time lost due to illness a year is three weeks. While additional benefits may make the schemes attractive, they do not form the income protection plan which a self-employed person might seek. The British Medical Association has received reports from doctors of this misconception of the extent of cover, it welcomes the opportunity of drawing it to readers' attention. J. R. A. Chauver, Chairman, B.M.A. Section on Private Practice and Professional Fees Committee, Tavistock Square, W.C1.

**Expediency over duke's right**  
From Mr R. A. Bickford-Smith Sir - The decision of the European Court of Human Rights concerning the Grosvenor Estate case (GT, February 22) seems to be a blatant example of bad law unsupported by the redeeming feature of being a hard case. Every long lease entered into prior to the 1967 Act took account of its provisions, and rent provisions of the parties' respective obligations, including the fact that at the end of the lease term the property would revert to the freeholder. Likewise, the price upon sale of such a lease reflected the continuation of the freeholder's continuing rights and obligations under the lease. Accordingly, to deny a freeholder full and fair compensation upon compulsory enfranchisement (even if only in the case of anomalies) on the basis of arguments concerning a tenant's purported moral entitlement to own his own home or the fact that the landlord made no contribution to the maintenance of the property after granting the lease is inherently flawed, and to accept them (as the court appears from your report to have done) betrays either a lack of intellectual rigour or a surrender to expediency. Any long leases granted subsequent to the 1967 Act would take account of its provisions, and in such cases the freeholders would be fully bound by the Act, but such leases must be few by comparison with those dating from before the Act. I own no ground rent, neither do I hold any particular brief

for the Duke of Westminster. However, we do our European institutions no favour by overlooking their shortcomings, and that is just what we would be doing if we raised no objection to human rights being overridden by expediency. Roger A. Bickford-Smith, Condurru, Grylls Parc, Helston, Cornwall.

**A vivisector's charter**  
From Mr C. I. Trew Sir - Among the 70 or more MPs who have taken a moral stand in supporting the demands and objectives of the Government's Animals (Scientific Procedures) Bill, which was recently introduced into Parliament, from being placed on the statute book in May. The new Bill, justly condemned as a Vivisector's Charter, does not prohibit one single area of animal experimentation (even cosmetics experiments are to be allowed to continue unabated) nor is it likely to save a single animal from experimentation; and to add insult to injury, some experimental procedures which are at present forbidden under the Cruelty to Animals Act 1876 are to be legalised. One such procedure involves the use of living animals for the purpose of practising microsurgical skills. For 109 years the Anti-Vivisection Movement has worked in vain within this country's democratic framework and in a peaceful manner for legislation of benefit to laboratory animals, legislation that would at the very least pave the way towards the total abolition of a mode of science described by Gandhi as "the blackest of all the black crimes". The new Bill will do nothing to reduce or relieve the multitudinous sufferings of millions of laboratory animals, nor will it do anything to ally the regrettable drift of once moderate anti-vivisectionists towards the use of violence against vivisectors. Only time will tell if the pen is indeed mightier than the sword. C. I. Trew, 28 Clifton Road, Poole, Dorset

**Long-term boost for savings**  
From Mr T. S. Lewis Sir - Nick Bunker (February 22) refers to the decline in sales of National Savings certificates. One way of encouraging more people to buy certificates - and perhaps what is more important to the Government, not to dispose of them - is to exclude all National Savings certificates that have been held for more than five years from capital transfer tax. That would give investors in National Savings certificates a real incentive to hold them for the benefit of their heirs and successors. T. S. Lewis, Inchduna House, North Berwick, East Lothian.

**Reforming the tax on jobs**  
From Mr H. Lov Sir - Michael Prowse is performing a useful service by drawing attention to the need to reduce the tax on jobs (London, February 21). As he rightly says, the Chancellor's aim should be to raise revenue in ways which do not discriminate against employment. Unfortunately, the proposals which he puts forward would not make things any better. To replace National Insurance contributions (NICs) by expenditure taxes would remove the wedge between employer and labour, only to replace it with a wedge between industry and consumers. And replacing NICs by income taxes which discriminated against capital would discourage capital formation, which cannot be a good thing for the economy. The tax wedge is an example of the first rule of taxation: individuals arrange their affairs so as to minimise their tax liability. Hence the well-known consequences of the Window Tax: bricked-up windows. Because of this rule, taxes on employments will lead to less interest while taxes on interest will diminish capital. That leaves taxes on the rental value of land. One of the few things that economists are agreed on is that taxes on the value of land cannot be passed on, and that being so, the only way in which individuals can minimise their liability to such taxes is to hold no more land than they need. Thus, the consequences of a change from taxes on labour and capital to a tax on land

## ADVERTISEMENT

values would be an efficient land market and the elimination of tax wedges against employment and the use of capital. Or is there a catch somewhere? Henry Law, 19, Queen's Gardens, Brighton.

**'Knee-jerk' response at Sellafield**  
From Mr S. Morfin Sir - David Fishlock performed a valuable service in his article on Sellafield (February 21). He described why the plant cannot be closed down because of its "paramount role as custodian of existing nuclear materials." Following the recent spate of accidents at Sellafield there have been many calls to close the plant. This may have been a knee-jerk response, as the nuclear industry and its supporters would like us to believe, but what was intended was to stop reprocessing, not necessarily to close the whole complex. It is not the receipt and storage activities of Sellafield which are under attack but the reprocessing of spent Magnox fuel and the future reprocessing of AGR and PWR fuel. Reprocessing is responsible for most radioactive discharges and accidental releases. Even if reprocessing ceased there would still be a need for storing and supervising the spent fuel on site for thousands of years, researching the solidification of high level liquid wastes and safeguarding the plutonium stockpile. Once this is understood it becomes clear that when Dr Jack Cunningham, MP, talks of 11,000 redundancies at the plant he is being alarmist. Ending reprocessing would not mean "mass unemployment," but they could be counted in hundreds rather than thousands. Indeed, even Dr Cunningham argues that the phasing out of reprocessing over the next decade does not pose an immediate threat to jobs. I submit that phasing out nuclear power altogether will not pose an immediate threat to jobs because of the supervisory element of many of those jobs. Of course, even a few hundred redundancies in his constituency must worry an MP, but it is not sufficient cause to force the official Opposition into supporting the unsupported at Sellafield, against the policy decided at last year's Labour Party conference. What is needed is to direct investment into areas dependent on a single industry. This is equally the case for the steel and coal industries as for the nuclear industry. Steve Martin, 11 Forth Street, Edinburgh.

BUILDING SOCIETY RATES		
	Share	Sub'pn
Abbey National	7.00	8.00
Ald to Thrift	9.20	—
Alliance and Leicester	7.00	8.00
Anglia	7.00	8.00
Banasley	7.00	8.00
Bradford and Bingley	7.00	8.00
Bristol and West	7.00	8.00
Britannia	7.00	8.00
Cardiff	8.50	8.00
Catholic	7.30	8.30
Century (Edinburgh)	8.25	—
Chelsea	7.00	8.00
Cheltenham and Gloucester	—	8.00
Cheshunt	7.00	8.50
City of London (The)	7.25	8.75
Coventry	7.00	8.25
Dartmouth	7.00	8.25
Frome Selwood	7.00	10.50
Gateway	7.00	8.00
Greenwich	7.00	—
Guardian	7.25	—
Hallifax	7.00	8.00
Heart of England	7.00	8.25
Hemel Hempstead	7.00	8.50
Hendon	8.00	—
Hitchley and Rugby	7.00	8.50
Lambeth	7.15	8.25
Leamington Spa	7.10	—
Leeds and Holbeck	7.00	8.75
Leeds Permanent	7.00	8.00
London Permanent	7.75	—
Midshire	7.00	—
Mornington	0.10	—
National Counties	7.30	8.50
National and Provincial	7.00	8.00
Nationwide	7.00	—
Newcastle	7.00	8.25
Northern Rock	7.00	8.25
Norwich	7.00	8.25
Packham	7.25	—
Portsmouth	7.00	8.30
Portman	7.00	8.25
Portsmouth	7.15	8.65
Property Owners	7.50	8.00
Regency	7.00	—
Scarborough	7.00	8.25
Skipton	7.00	8.25
Stroud	7.00	8.25
Quaker County	7.00	8.50
Thrift	8.00	—
Town and Country	7.00	—
Wessex	9.50	—
Woolwich	7.00	—
Yorkshire	7.00	8.00



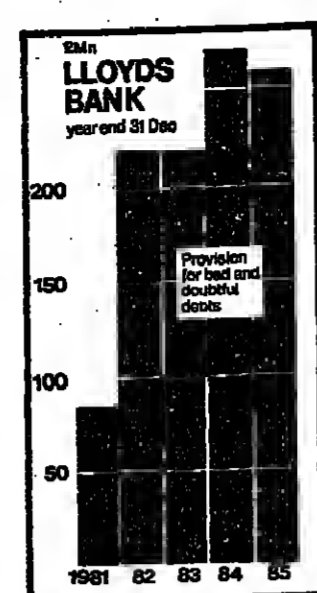
UK COMPANY NEWS

'Considerable progress' at Lloyds

BY MICHAEL CASSELL

Lloyds Bank, which yesterday announced a 20 per cent jump in pre-tax profits...

Income, derived from a growing number of fee-earning services in the UK...



The recommended final dividend is 13.5p (11.4p), making a total of 21p per share...

undated loan capital helped bring the primary capital ratio up to 8 per cent...

McKechnie bid for Tonks gets backing

By David Goodhart

THE £150m all-share bid by Williams Holdings for fellow Midlands manufacturer McKechnie Brothers has been blocked...

FNFC in agreed £47.5m cash bid for P & O offshoot

BY MICHAEL CASSELL

First National Finance Corporation, the rehabilitated consumer credit and property lender...

Suter makes £28m bid for UKO

By Charles Batchelor

Suter, the acquisitive engineering and distribution group headed by Mr David Abell...

Dewey Warren shares plunge 38p

INCREASED competition in the accident and health insurance market, the weakening dollar and a higher than expected level of business development spending...

Saga profits jump by 60%

Saga Holidays, which specialises in holidays for retired people, lifted pre-tax profits by 60 per cent from £2.55m to £4.07m for the year ended October 31, 1985...

Saga is currently enjoying significant growth in the sales of domestic holidays in North America and tours to Australia and the South Pacific.

J. Kent £1.25m rights to boost shareholders' funds

HIGHER INTERIM profits and dividend and a rights issue to £1.25m net in order to strengthen shareholders' funds...

Hillsdown has 6% stake in Berisford

Hillsdown Holdings, the acquisitive food manufacturer, has acquired a 6 per cent stake in S & W Berisford...

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

Table with columns for EQUITY GROUPS & SUB-SECTIONS, Fri Feb 28 1986, and Highs and Lows Index. Includes sub-sections like CAPITAL GOODS, BUILDING MATERIALS, CONTRACTING, etc.

FIXED INTEREST

Table with columns for PRICE INDEXES, Fri Feb 28, and Highs and Lows. Includes categories like British Government, 1-5 years, 10-15 years, etc.

Opening index: 1553.5; 10 am 1552.4; 11 am 1548.3; Noon 1540.3; 1 pm 1538.5; 2 pm 1538.3; 3 pm 1541.8; 3.30 pm 1543.3; 4 pm 1543.4.

Home Charm talks fuel price rise

THE SHARES of Home Charm soared to 330p yesterday as Mr Manny Fogel, announced that the company was in talks which could lead to a bid...

Derek Crouch upsurge

FROM A maintained turnover of £65m, Derek Crouch has lifted its operating profit by £1m to £3.49m and its pre-tax balance by £1.7m to £3.13m for 1985...

Schools Abroad reverses into WSL

Schools Abroad, the privately-owned company specialising in holidays for schoolchildren, is making a reverse takeover of WSL Holdings...

IEP raises Molins stake after BAT sale

IEP Securities, the investment building company controlled by Mr Alan Brerley, has nearly doubled the size of its holding in Molins...

Vosper goes into receivership

Vosper, the UK private-sector marine and engineering company based in Southampton, has gone into receivership, threatening 140 jobs...

Argyll extends offer

Argyll has extended its offer for Distillers until March 20. By the February 27 closing date 7,000 Distillers shareholders had accepted...

Entertainment Production in red

As forewarned last September, Entertainment Production Services ran into losses in the half year to October 31 1985. A pre-tax deficit of £395,000 has been caused partly by the decline in the company's traditional video leasing business...

Goodwin surges

Goodwin, the engineer and metal processor, has achieved more than trebled taxable profits of £253,000, against £101,000 for the six months to end-October 1985...

DIVIDENDS ANNOUNCED

Table listing companies and their dividend details: Current payment, Date of payment, Corro. of payment, Total of year, Total last year.

CH Inds.

CH Industrials announced yesterday that it has sold its 27 per cent stake in Bannor Industries...

Vertical advertisement on the right edge of the page, partially cut off, mentioning 'Kw...' and 'me for r...'



Wah Kwong may win time for reshaping

BY DAVID DODWELL IN HONG KONG

Wah Kwong, one of several ailing Hong Kong shipping groups, yesterday presented its 48 financial creditors with a 90-day interest payment plan intended to provide the company with breathing space to arrange a debt restructuring that will avert its collapse.

ABN up 19% and raises dividend

By Laura Raum in Amsterdam

ALGEMENE BANK NEDERLAND (ABN), the largest Dutch bank, posted a 19 per cent higher profit of Fl 478m (\$191m) in 1985 and raised its dividend by Fl 1 to Fl 27 a share despite some downward pressure from the plunging dollar.

Mr Robertus Hazelhoff, chairman, attributed the earnings spurt primarily to higher commission income from securities trading and underwriting and foreign exchange dealings, all of which benefited from buoyant financial markets.

Matra-Fiat talks arouse concern

BY PAUL BETTS IN PARIS

MATRA, the French state-owned defence and electronics group, is expected to sign next week an agreement with Fiat, the Italian motor manufacturer, to pool the two companies' car components activities.

Yet as negotiations between Matra and Fiat neared completion yesterday, there were signs that the French government is becoming increasingly worried by the recent manoeuvres shaking up the French car components industry.

their concern over the Fiat-Matra association in the car components sector and the recent acquisition of a 19 per cent stake in Valeo, France's leading car components company, by CIR, the Italian industrial holding company controlled by Mr Carlo de Benedetti.

The Matra-Fiat deal is expected to involve the creation of a joint venture financially controlled by Fiat and merging the French company's Jager and Solex components subsidiaries. Matra has been seeking to find a partner for its car components business as a

way of easing the French group out of this troubled sector.

But both Renault and Peugeot are worried at the prospect of Fiat, a direct competitor, taking control of two of their French components suppliers. The French also argue that Fiat may be embarking on the same unsuccessful strategy as Renault chose when it decided to develop a presence in the electronics car components sector through Renix.

Renault last year sold its controlling stake in Renix. Originally, Renault had hoped to develop Renix's sales outside

the Renault system. However, this failed because of the reluctance of other car companies to buy key components from a supplier controlled by one of their rivals.

The decision of Mr de Benedetti to take a 19 per cent stake in Valeo, Europe's fourth largest car components group and the biggest in France with annual sales of FFr 11.4bn (\$1.13bn), coupled with the Fiat-Matra transaction is also provoking a wider debate in France over the risks of seeing the country lose control over its domestic car components industry.

JVC sees tapes as expensive as discs

By Carla Rapoport in Tokyo

THE NEXT generation of audio tapes promises to be at least as expensive as compact discs, their latest record technology counterparts, according to JVC.

The Japanese audio and consumer electronics group, plans to launch later this year digital audio tape (DAT) players which it believes will be priced at about ¥200,000 (\$1,100).

DAT cassettes, would always be more expensive to make than compact discs, because the production technology is more complicated, says Mr Toshiya Inoue, senior managing director of research and development at JVC. However, JVC believes that DAT cassettes will have to be priced at the same level as compact discs to prevent customers from buying blank DAT tapes and dubbing off compact discs.

Comalco dives into red and slashes payout

BY OUR FINANCIAL STAFF

COMALCO, the Australian integrated aluminium producer, slid into the red last year and has slashed its dividend to a quarter of the 1984 level.

Less than half of the \$69.13m (US\$48.4m) net losses came from its own businesses, however. Since the year-end Comalco has been acting to shed its interests in badly performing joint ventures and associates which together drained off A\$35.58m on an equity accounted basis during 1985.

The previous year, losses of A\$13.47m from these partly owned operations weighed down group net profits, which emerged at A\$20.95m.

Following the admission of Comalco's interim dividend, the total payment for the latest period will be one cent, down from four cents. The chief recipient is CRA, the mining group which has a 67 per cent stake and which is in turn 53 per cent owned by Rio Tinto-Zinc of the UK.

Interest charges rose steeply from A\$88.5m to A\$149.2m, as did foreign exchange provisions which were A\$71.1m.

By associates were accounted for by a A\$31.5m deficit at Showa Aluminium, its ill-fated Japanese joint venture from which Comalco last week announced it is to withdraw. The smelter set up in 1982 with Showa Denko, a chemicals company, has never been profitable.

The US acquisition now called Commonwealth Aluminium, was largely responsible for a rise in overall 1985 sales to A\$1.72bn against A\$1.02bn. Output of primary aluminium was up 36.2 per cent to 455,781 tonnes.

Kyocera plunges by 73%

BY YOKO SHIBATA IN TOKYO

KYOCERA, the world's largest semiconductor maker, suffered a 73.6 per cent fall in consolidated net profits in its December quarter to ¥2.5bn (\$1.9m).

Sales were ¥64.4bn, down 27.7 per cent, and earnings per share stood at ¥16.66, a sharp fall from ¥83.03 in the previous third quarter. Kyocera's performance was affected by the long recession in the semiconductor industry as well as the yen's sharp appreciation.

The previous year, losses of A\$13.47m from these partly owned operations weighed down group net profits, which emerged at A\$20.95m.

Following the admission of Comalco's interim dividend, the total payment for the latest period will be one cent, down from four cents. The chief recipient is CRA, the mining group which has a 67 per cent stake and which is in turn 53 per cent owned by Rio Tinto-Zinc of the UK.

Kodak in microchip move

BY PAUL TAYLOR IN NEW YORK

EASTMAN KODAK, the US photographic and chemical group, currently the subject of wide-ranging speculation on Wall Street, plans to enter the market for semiconductor fabrication equipment through a new subsidiary called Estek.

Estek will incorporate the assets of Xertronix, a Rochester-based semiconductor cleaning equipment maker acquired by Kodak last summer. It will offer a broad range of equipment designed to serve the needs of semiconductor chip makers.

Profits in the three months ended January 31 were C\$35.3m or 57 cents a share, against C\$39.7m or 93 cents. Average shares outstanding rose to 46.6m from 37.9m, due to the merger with the Mercantile Bank of Canada, writes Robert Gibbons in Montreal.

Ciba-Geigy lifts payment on 23% profit growth

By Our Financial Staff

CIBA-GEIGY, the large Swiss chemicals and pharmaceuticals group, is raising its dividend for the fifth year running after reporting a 23.5 per cent increase in group operating profits after tax to SFr 1,478m (\$740m) from last year's SFr 1,196m.

Dividend per share is being raised SFr 3 to SFr 38, and participation certificate to SFr 35.

As reported earlier, group sales last year grew 4 per cent to SFr 18.2bn, while operating cash flow was up from SFr 2bn to SFr 2.37bn.

Toronto Dominion slips as provisions rise

BY OUR FINANCIAL STAFF

TORONTO Dominion Bank, Canada's fifth largest, has reported a break in its recent strong profits growth with a fall in first-quarter net earnings of 72 cents a share to C\$95.1m, or 67 cents.

The decline came despite a sharp rise in assets, which totalled C\$53.5bn at the end of the quarter, against C\$47bn

due to the merger with the Mercantile Bank of Canada, writes Robert Gibbons in Montreal.

Profits in the three months ended January 31 were C\$35.3m or 57 cents a share, against C\$39.7m or 93 cents. Average shares outstanding rose to 46.6m from 37.9m, due to the merger with the Mercantile Bank of Canada, writes Robert Gibbons in Montreal.

As reported earlier, group sales last year grew 4 per cent to SFr 18.2bn, while operating cash flow was up from SFr 2bn to SFr 2.37bn.

Table with columns: Series, Vol., May, Last, Vol., Aug, Last, Vol., Nov, Last, Stock. Includes sub-sections for EUROPEAN OPTIONS EXCHANGE and NORTH AMERICAN QUARTERLIES.

HK gas unit higher

Hong Kong and China Gas boosted net profits 47.3 per cent last year to HK\$215m (US\$27.6m), and is increasing its dividend to 25 cents per share against an adjusted 19 cents, writes Our Financial Staff.

NORTH AMERICAN QUARTERLIES

Table with columns: Company, 1985-86, 1984-85. Includes entries for BRUNN-FORMAN, GOTTAS-LARSEN, FAIRCHILD INDUSTRIES, SOUTHLAND, LADBROKE INDEX, and J. P. STEVENS.

A PROFILE OF THE TYPICAL READER OF THE BANKER. The typical reader of THE BANKER is a Senior Vice-President, working for a commercial bank. He has responsibility for international affairs yet, despite his senior executive position, he is only 42 years old.

BIOTECHNOLOGY. Publication date: May 2 1986. Advertisement copy date: April 14 1986. The Financial Times proposes to publish this survey on the above date. The provisional editorial synopsis is set out below:

BASE LENDING RATES. Table with columns: Bank/Institution, Rate. Includes entries for ABN Bank, Allied Dunbar & Co., Allied Irish Bank, American Express Bk., Amro Bank, etc.

GREEN PARK. Green Park Health Care Plc. Green Park Health Care Plc is establishing nursing homes, residential homes and day care facilities under a concept of co-ordinated care for the elderly. Minimum non-underwritten subscription already achieved. Offer share price 100 per cent backed by net assets.



WORLD STOCK MARKETS

NEW YORK

Table of New York stock market activity, including various stock prices and market indices.

WALL STREET

Mixed with signs of fatigue

Article discussing market trends, mentioning mixed signs of fatigue and the Dow Jones Industrial Average.

CANADA

Text discussing Canadian market performance and stock prices.

TOKYO

Text discussing Japanese market activity and stock prices.

GERMANY

Text discussing German market performance and stock prices.

AUSTRIA

Text discussing Austrian market activity and stock prices.

NETHERLANDS

Text discussing Dutch market performance and stock prices.

FRANCE

Text discussing French market activity and stock prices.

NETHERLANDS (continued)

Continuation of Dutch market data.

NETHERLANDS (continued)

Continuation of Dutch market data.

NETHERLANDS (continued)

Continuation of Dutch market data.

NETHERLANDS (continued)

Continuation of Dutch market data.

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Continuation of Dutch market data.

NETHERLANDS (continued)

Continuation of Dutch market data.

NETHERLANDS (continued)

Continuation of Dutch market data.

FOREIGN EXCHANGE

Text discussing foreign exchange rates and market activity.

SINGAPORE

Text discussing Singapore market performance and stock prices.

HONG KONG

Text discussing Hong Kong market activity and stock prices.

PARIS

Text discussing Paris market performance and stock prices.

NETHERLANDS (continued)

Continuation of Dutch market data.

NETHERLANDS (continued)

Continuation of Dutch market data.

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NETHERLANDS (continued)

Continuation of Dutch market data.

NETHERLANDS (continued)

Continuation of Dutch market data.

NEW YORK INDICES

Table of New York market indices, including Dow Jones, S&P 500, and other key indicators.

CANADA

Table of Canadian market indices and stock prices.

NETHERLANDS

Table of Dutch market indices and stock prices.

NETHERLANDS

Table of Dutch market indices and stock prices.

NETHERLANDS

Table of Dutch market indices and stock prices.

Footnote and disclaimer text at the bottom of the page.



FOREIGN EXCHANGES

Dollar still nervous

The dollar finished a little higher on the day in confused and nervous trading. There were numerous conflicting factors which added to the market's uncertainty. While it is clear to most that the dollar's decline is not over, speculation over a possible easing and concerted cuts in Japanese and West German interest rates, there still remained some conviction that the US Government would not permit a further decline in the dollar's value.

Yesterday's release of the US trade figures showed a deficit of \$15.4bn compared with a revised figure for December of \$15.15bn and worse than market expectations. However a natural reluctance to run too short over the weekend enabled the dollar to slip up through its previous blunted when the US Federal Reserve injected \$300 million into the money market. The dollar finished at DM 2.206 against the D-mark up from DM 2.220 and

STERLING INDEX

Table with columns: Time, Previous, Current. Rows for 8.30 am, 9.00 am, 10.00 am, 11.00 am, Noon, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

POUND SPOT—FORWARD AGAINST POUND

Table with columns: Day's spread, Close, One month, Three months, Six months, One year. Rows for US, Canada, Netherlands, Belgium, France, Germany, Italy, Norway, Sweden, Switzerland, UK.

CURRENCY RATES

Table with columns: Bank, Special Drawing Rights, Currency, Unit. Rows for Sterling, US dollar, Canadian dollar, Australian dollar, etc.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Table with columns: Day's spread, Close, One month, Three months, Six months, One year. Rows for UK, Ireland, Netherlands, Belgium, France, Germany, Italy, Norway, Sweden, Switzerland, Austria, Japan.

CURRENCY MOVEMENTS

Table with columns: Bank of England, Morgan Guaranty, etc. Rows for Sterling, US dollar, Canadian dollar, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Fhb, 0Y, Short term, 7 days notice, 1 month, 3 months, 6 months, One year. Rows for Sterling, US dollar, etc.

OTHER CURRENCIES

Table with columns: Country, Currency, Rate. Rows for Argentina, Australia, Brazil, Canada, etc.

EXCHANGE CROSS RATES

Table with columns: Feb 28, \$, DM, Yen, etc. Rows for DM/\$, Yen/\$, etc.

MONEY MARKETS

Interest rates were slightly higher when changed in London yesterday in rather quiet trading. Sterling's weaker performance did not appear to give any immediate cause for concern with the market still conscious of the authorities' repeated actions to deter a rise in clearing bank rates. In addition there appeared to be little incentive to create volatility ahead of the UK budget.

UK rates quietly firmer

chaser of \$50m of eligible bank bills in band 1 at 12 1/2 per cent, \$225m in band 2 at 12 1/2 per cent and \$27 1/2m in band 3 at 12 1/2 per cent. Late assistance came to \$115m, making the total of \$1.75bn. The forecast was again revised to a shortage of around \$1.75bn. The average rate of discount fell by 0.1009 per cent to 11.8481.

FT LONDON INTERBANK FIXING

Table with columns: (11.00 a.m. Feb. 28), Six months US dollars, Three months US dollars, etc.

MONEY RATES

Table with columns: Feb. 28, Ovr-night, One month, Two months, Three months, Six months, One year. Rows for Frankfurt, Paris, Amsterdam, Tokyo, Milan, Dublin.

LONDON MONEY RATES

Table with columns: Feb. 28, Over night, 7 days notice, 1 month, 3 months, 6 months, One year. Rows for Interbank, Sterling, etc.

REVIEW OF THE WEEK

Cocoa prices slide as pact talks founder

BY RICHARD MOONEY

COCOA prices continued to slide this week as producers' lingering hopes that a new effective International Cocoa Agreement would result from the current negotiating session in Geneva grew even fainter. The three-week session scheduled to end yesterday, has been extended into next week, but there appears to be little reason to expect a successful conclusion.

Against the dollar it fell to \$1.470, down from \$1.4830 on Thursday. The Canadian dollar was also depressed by lower oil prices and lack of confidence in the Government's recent budget proposals. Despite intervention by the Canadian central bank, the US dollar rose to C\$1.4240 from C\$1.4105.

WEEKLY PRICE CHANGES

Table with columns: Commodity, Latest price, Change on week, High, Low. Rows for Metals, Grains, etc.

PRECIOUS METALS

generally firmed on short-covering linked to the firm tone in platinum along with debt worries, reports Heindol Commodities. Copper came under pressure from long liquidation linked to trade liberalisation and large deliveries. Aluminium remained steady on light physical interest. Sugar moved sharply higher in anticipation that deliveries will be well taken. Cocoa weakened on aggressive selling linked to producers and the failure of the new cocoa agreement talks. Coffee trade sharply lower on trade on cotton commission house selling. Cotton trade mixed as fresh news was lacking. The energy complex was depressed on Sheikh Yamani's comments indicating oil prices could fall to \$10 a barrel. The grain complex came under pressure on good cash movement. The soyabean complex was steady on light commission house interest.

NEW YORK

Table with columns: Commodity, Close, High, Low, Prev. Rows for Aluminium, COCOA, etc.

CHICAGO

Table with columns: Commodity, Close, High, Low, Prev. Rows for Live Cattle, LIVE HOGS, etc.

INDICES

Table with columns: Index, Feb. 28, 27th Feb, 26th Feb, 25th Feb, 24th Feb, 23rd Feb, 22nd Feb, 21st Feb, 20th Feb, 19th Feb, 18th Feb, 17th Feb, 16th Feb, 15th Feb, 14th Feb, 13th Feb, 12th Feb, 11th Feb, 10th Feb, 9th Feb, 8th Feb, 7th Feb, 6th Feb, 5th Feb, 4th Feb, 3rd Feb, 2nd Feb, 1st Feb.

REUTERS

Table with columns: Commodity, Feb. 28, 27th Feb, 26th Feb, 25th Feb, 24th Feb, 23rd Feb, 22nd Feb, 21st Feb, 20th Feb, 19th Feb, 18th Feb, 17th Feb, 16th Feb, 15th Feb, 14th Feb, 13th Feb, 12th Feb, 11th Feb, 10th Feb, 9th Feb, 8th Feb, 7th Feb, 6th Feb, 5th Feb, 4th Feb, 3rd Feb, 2nd Feb, 1st Feb.

DOY JONES

Table with columns: Dow Jones, Feb. 28, 27th Feb, 26th Feb, 25th Feb, 24th Feb, 23rd Feb, 22nd Feb, 21st Feb, 20th Feb, 19th Feb, 18th Feb, 17th Feb, 16th Feb, 15th Feb, 14th Feb, 13th Feb, 12th Feb, 11th Feb, 10th Feb, 9th Feb, 8th Feb, 7th Feb, 6th Feb, 5th Feb, 4th Feb, 3rd Feb, 2nd Feb, 1st Feb.

SOYABEAN MEAL

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Soyabean Meal, etc.

MEAT

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Meat, etc.

SUGAR

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Sugar, etc.

GOLD

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Gold, etc.

LEAD

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Lead, etc.

NICKEL

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Nickel, etc.

SILVER

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Silver, etc.

POTATOES

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Potatoes, etc.

TIN

Table with columns: Commodity, Yesterday's close, + or - Business Done. Rows for Tin, etc.

ORANGE JUICE

Table with columns: Commodity, Close, High, Low, Prev. Rows for Orange Juice, etc.

PLATINUM

Table with columns: Commodity, Close, High, Low, Prev. Rows for Platinum, etc.

SILVER

Table with columns: Commodity, Close, High, Low, Prev. Rows for Silver, etc.

LIVE CATTLE

Table with columns: Commodity, Close, High, Low, Prev. Rows for Live Cattle, etc.

LIVE HOGS

Table with columns: Commodity, Close, High, Low, Prev. Rows for Live Hogs, etc.

MAIZE

Table with columns: Commodity, Close, High, Low, Prev. Rows for Maize, etc.

COFFEE

Table with columns: Commodity, Close, High, Low, Prev. Rows for Coffee, etc.

CRUDE OIL

Table with columns: Commodity, Close, High, Low, Prev. Rows for Crude Oil, etc.

DIETARY MEAL

Table with columns: Commodity, Close, High, Low, Prev. Rows for Dietary Meal, etc.

SOYABEAN OIL

Table with columns: Commodity, Close, High, Low, Prev. Rows for Soyabean Oil, etc.

HEATING OIL

Table with columns: Commodity, Close, High, Low, Prev. Rows for Heating Oil, etc.

SPOT PRICES

Table with columns: Commodity, Close, High, Low, Prev. Rows for Spot Prices, etc.

CRUDE OIL

Table with columns: Commodity, Close, High, Low, Prev. Rows for Crude Oil, etc.

MEAT

Table with columns: Commodity, Close, High, Low, Prev. Rows for Meat, etc.

PRODUCE

Table with columns: Commodity, Close, High, Low, Prev. Rows for Produce, etc.

WHEAT

Table with columns: Commodity, Close, High, Low, Prev. Rows for Wheat, etc.

PHYSICALS

and prices hovered around the levels for most of the day. The physical interest appeared for rubber and levels closed slightly higher on day delayed by a stronger dollar, reported Barmham Lambert.



Promising early advance reversed on profit-taking but FT index slips only 4.1 to 1277.4

Account Dealing Dates

Table with columns: Date, Account Dealing Dates, and details of transactions.

A promising advance took leading shares to new heights early yesterday but they soon turned back when it became clear the UK institutions had satisfied their immediate requirements through the previous sessions.

Many blue chips fell several pence before a renewed demand encouraged a rally. From 2pm onwards, the FT indices recovered steadily and the FT-SE 100 share, after rising in an inter-day record of 155.3, ended at 1277.4.

As business in the leaders subsided an investors turned their attentions to bid situations, real or imaginary. News of a takeover approach aroused considerable activity in Home Charm, while S. and W. Berisford was higher on the announcement that Hillsdown Holdings had acquired a 5.95 per cent stake.

A persistently strong market for the past two weeks, gilt-edged securities experienced a volatile session. Quotations opened easier, reflecting selling late on Thursday behind the pound's fall in New York, but picked up on Gilt futures indications. Another upward surge in US bonds shortly after its opening re-inforced the recovery here.

Lloyds below best. Lloyds started the clearing hawk dividend season with annual profits at the top end of the range - nearly 20 per cent higher at £561m - accompanied by a proposed 50 per cent share issue which satisfied market expectations and the shares advanced to 495p before closing 7 pence lower at 482p.

Home Charm soar. Secondary Stores displayed widespread advances amid substantial and often hectic trading. News of a bid approach stimulated considerable excitement in Home Charm, finally 104 higher at 390p; A. G. Stanley rose 7 to 61p in sympathy. Martin Food slipped 22 for a gain of 26

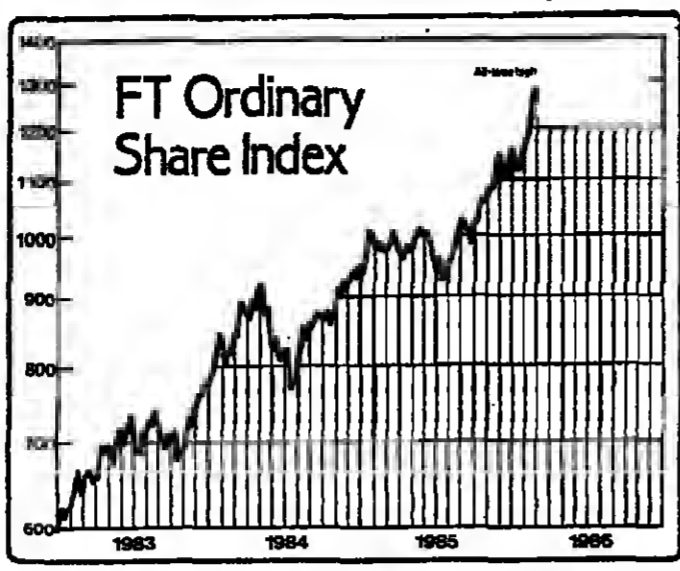
on Tuesday, relinquishing a few pence to 702 while Midland softened to 472p, after 478p; the latter's results are due on Wednesday. Barclays ended 3 off at 472p, after 480p. Irish issues, meanwhile, continued to reflect currency considerations with Allied up 15 more at 240p and Bank of Ireland the same amount dearer at 440p. Amoco Hire Purchases, First National Finance Corporation, strongly supported of late on takeover hopes, reacted 4 to 188p on profit-taking; following confirmation of the acquisition of 20th Century Banking from P & O Deferred.

Profit-taking on further consideration of the disappointing interim results from Royal Indefinable, a strong market 271p, however, reacted 4 to 188p on profit-taking; following confirmation of the acquisition of 20th Century Banking from P & O Deferred.

The majority of leading buildings settled a shade easier in the absence of further buying interest, but BFB Industries closed firmly at 415p, up 5, following a broker's bullish circular and C. E. Heath closed 24 down at 655p.

ICI opened a few pence higher at 920p following comment on the annual results, but drifted lower to 912p, before late support led the close 12 higher to 924p. Elsewhere in the Chemical sector, William Canning attracted renewed speculative support and gained 7 to 100p, while Holt Lloyds International firmed 6 to 58p in response to Press comment.

Microvitec, Birmald Quilcast, Extonite Oil and Gas, Borett and Hallamsire, Pavio, Yorkshire Chemical, Pentland, Burnish, Berkeley and Hay Hill, Sunleigh Electronics, St. Control Securities, Trentrol, Cherthall, Sound Diffusion, Parkland, North Kalgurli, Cartess Capel, Petranod, Kaline Engineering, Delta Group and John Brown. A put was done in Access Satellite, but no doubles were reported.



FT Ordinary Share Index. The graph shows a steady upward trend from 1983 to 1985, with some fluctuations in 1985.

the week to 125p amid vague talk that the Ford family stake had changed hands. Buyers also came in for Cantors 8, up at 115p, and James Beattie A, 7 up at 55p. Laura Ashley was also lively and rose 30 to 232p in anticipation of sizeable US demand from next Tuesday.

British Telecom continued to respond to several brokers' recommendations and soared 20 pence more making a gain of 15 on the week at 204p. Other Electrical leaders, however, ended so eventful week on a quietly dull note. Plessey softened a couple of pence to 210p, after 208p, while Thorn EMI relinquished 4 at 447p.

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in Cope Allman, but recent speculative favourites to give ground included Beasoo Clark, 12p cheaper at 185p, and Rockware, 5 lower at 49p. Wm Baird, sustained recently by Dawson International bid hopes, fell 10 to 530p. Chatterbox, increased, in contrast met with further support in a limited market and closed 15 higher at 253p, while Waterford continued to make progress at 120p, up 5.

The company's attempts to pour cold water on recent speculative excitement failed to unsettle Armstrong Equipment which advanced 8 for a week's gain of 16 to 111p; the interim results are scheduled for March 19. AE also attracted revived support and hardened more to 180p, while Kwik-Fit, still benefiting from a broker's recommendation, put on a couple of pence more to 83p. Distributors again featured T. Cowie which touched a new peak of 153p before settling 25p on balance at 145p. While Kwik-Fit, still benefiting from a broker's recommendation, put on a couple of pence more to 83p.

S. & W. Berisford, in receipt of a bid approach from Ferruzzi of Italy, were further excited by news that Hillsdown Holdings had acquired a stake and closed 10 higher at 202p, a three-day advance of 28. Hillsdown settled 3 cheaper at 208p. Tate and Lyle continued firmly and rose 5 more to 610p, while comment in the Financial Times stimulated Cadbury Schweppes which added 2 to 164p. Irish biscuit group W. & R. Jacob attracted speculative buying on takeover hopes and rose 18 to 110p; the company announced double annual profits and a proposed 22m rights issue.

United Newspapers encountered occasional offering and settled 15 cheaper at 303p; the preliminary results are expected later this month. Paper/Printings displayed a number of firm spots notably 28 to 203p, after 205p, reflecting speculation of a bid from Nortox Opax, a few pence cheaper at 143p. Associated Paper, 242p, and DRG, 382p, advanced 5 and 4 respectively, but Ault and Wiborg eased a couple of pence to 36p as the annual results, originally scheduled to be revealed yesterday, were postponed until next Wednesday.

Leading Properties drifted easier on scraggy selling before support at the lower levels helped quotations close a shade above the worst. MFC, the favourite owned marginally firmer on balance at 357p, having been down to 350p at one stage. Land Securities settled 5 lower at 320p, after 318p, while Haslemere Estates, in receipt of a 600p per share cash bid from Robeco, finished the same amount down at 628p. Slough Estates closed 3 cheaper at 165p, after 167p.

Recently buoyant Terleas pressed for breath. Vanolite Vivella and Coato Patons, supported earlier in the week following Press comment highlighting the potential of the proposed merger, both slipped ground on profit-taking. The former shed 6 to 448p, while Coats dipped 5 to 252p. Courtaulds eased a couple of pence but retained a gain on the week of 14 at 233p.

Oil retreat. Lower North Sea oil prices.

Table titled 'STERLING ISSUES BY FOREIGN GOVERNMENTS AND INTERNATIONAL INSTITUTIONS' listing various international bonds and their prices.

Table titled 'CORPORATION & COUNTY' listing various corporate and county bonds and their prices.

Table titled 'UK PUBLIC BONDS' listing various UK government bonds and their prices.

Table titled 'FOREIGN STOCKS' listing various foreign equities and their prices.

Table titled 'BANKS & DISCOUNT' listing various bank and discount rates and their prices.

Table titled 'BREWERIES' listing various brewery stocks and their prices.

Table titled 'COMMERICAL INDUSTRIAL' listing various commercial and industrial stocks and their prices.

Table titled 'RISES AND FALLS YESTERDAY' showing the daily price movements of various stocks.

Table titled 'YESTERDAY'S ACTIVE STOCKS' listing the most active stocks from the previous day.

Table titled 'THURSDAY'S ACTIVE STOCKS' listing the most active stocks for Thursday.

Table titled 'FINANCIAL TIMES STOCK INDICES' showing various stock indices and their values.

Table titled 'RECENT ISSUES' listing newly issued stocks and their details.

Table titled 'FIXED INTEREST STOCKS' listing fixed interest securities and their prices.

Table titled 'RIGHTS OFFERS' listing rights issues and offers.

Table titled 'LEADERS AND LAGGARDS' listing the top and bottom performing stocks.

Table titled 'MONTHLY AVERAGES OF STOCK INDICES' showing monthly average values for various indices.

Table titled 'NEW HIGHS AND LOWS FOR 1985/86' listing new high and low prices for 1985/86.

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Table titled 'RADITIONAL OPTIONS' listing various options and their prices.

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STOCK EXCHANGE DEALINGS

Details of business done shown below have been taken from the last Thursday's Stock Exchange Official List and should not be reproduced without permission.

They are not in order of execution but in ascending order which denotes the day's highest and lowest trading prices.

Table with columns for stock names and prices. Includes entries like London Stock Exchange, FTSE 100, and various individual stocks.

Table with columns for stock names and prices. Includes entries like 70 Industrial Group, 70 Industrial Group, and various individual stocks.

Table with columns for stock names and prices. Includes entries like WPP, WPP, WPP, and various individual stocks.

Table with columns for stock names and prices. Includes entries like MINE-SOUTH AFRICAN, MINE-SOUTH AFRICAN, and various individual stocks.

Table with columns for stock names and prices. Includes entries like FINANCIAL TRUSTS, FINANCIAL TRUSTS, and various individual stocks.

Table with columns for stock names and prices. Includes entries like PROPERTY, PROPERTY, and various individual stocks.

Table with columns for stock names and prices. Includes entries like INSURANCE, INSURANCE, and various individual stocks.

Table with columns for stock names and prices. Includes entries like PLANTATIONS, PLANTATIONS, and various individual stocks.

Table with columns for stock names and prices. Includes entries like INVESTMENT TRUSTS, INVESTMENT TRUSTS, and various individual stocks.

Table with columns for stock names and prices. Includes entries like UTILITIES, UTILITIES, and various individual stocks.

Table with columns for stock names and prices. Includes entries like SHIPPING, SHIPPING, and various individual stocks.

Table with columns for stock names and prices. Includes entries like WATERWORKS, WATERWORKS, and various individual stocks.

Table with columns for stock names and prices. Includes entries like UNLISTED SECURITIES MARKET, UNLISTED SECURITIES MARKET, and various individual stocks.

Table with columns for stock names and prices. Includes entries like SPECIAL LIST, SPECIAL LIST, and various individual stocks.

Granville & Co. Limited. Member of the National Association of Security Dealers and Investment Managers. 8 Lovat Lane London EC3K 8BP. Telephone 01-471 1212. Over-the-Counter Market. Table with columns for High/Low, Company, Price, Change, Div, Yield, Fully P/E.

Special List: Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

FT UNIT TRUST INFORMATION SERVICE

Large table titled 'AUTHORISED UNIT TRUSTS'. Columns include Unit Trust Name, Manager, and various performance metrics. Includes sub-sections like 'For All Other Home Use Securities Funds Managed Ltd', 'Allied Dunbar Unit Trusts PLC (A)', 'Barclays Bank Unit Trusts', etc.



AUTHORISED UNIT TRUSTS & INSURANCES

Main table containing financial data for various unit trusts and insurance companies, including columns for company names, fund names, and numerical values.

Table on the left side of the page listing various financial entities and their associated data.

Table in the second column from the left, detailing specific financial metrics and company information.

Table in the third column from the left, continuing the list of financial entities and their data.

Table in the fourth column from the left, providing further details on financial products and services.

Table in the fifth column from the left, listing additional financial companies and their performance.

Table in the sixth column from the left, detailing more financial entities and their associated values.

Table in the seventh column from the left, listing financial products and their market status.

Table on the far right side of the page, containing the final set of financial data and company names.



15 INSURANCE, OVERSEAS & MONEY FUNDS

Table of financial data for various insurance and overseas funds, including company names, fund names, and numerical values.

Table of financial data for various money funds, including company names, fund names, and numerical values.

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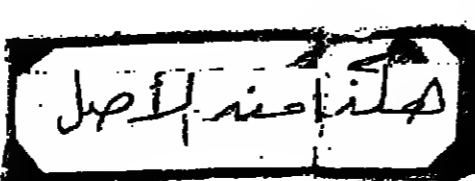
Table of financial data for various money funds, including company names, fund names, and numerical values.

OFFSHORE AND OVERSEAS

Table of financial data for offshore and overseas funds, including company names, fund names, and numerical values.

TRADITIONAL OPTIONS

Table of financial data for traditional options, including company names, fund names, and numerical values.





LONDON SHARE SERVICE

Table of financial data including BRITISH FUNDS, AMERICANS - Cont., and AMERICANS. Columns include Stock, Price, Div, and Yld. Sub-sections include 'Shorts (Lives up to Five Years)', 'Five to Fifteen Years', 'Over Fifteen Years', 'Undated', 'Index-Linked', 'CORPORATION LOANS', 'COMMONWEALTH & AFRICAN LOANS', 'LOANS', 'BEERS, WINES & SPIRITS', 'FOREIGN BONDS & RAILS', and 'AMERICANS'.

BUILDING, TIMBER, ROADS - Cont. DRAPERY & STORES - Cont.

Table of financial data for BUILDING, TIMBER, ROADS - Cont. and DRAPERY & STORES - Cont. Columns include Stock, Price, Div, and Yld. Sub-sections include 'ELECTRICALS', 'CHEMICALS, PLASTICS', 'DRAPERY AND STORES', 'FOOD, GROCERIES, SUGAR', and 'HOTELS AND CATERERS'.

Table of financial data for INDUSTRIALS - Continued. Columns include Stock, Price, Div, and Yld. Sub-sections include 'INDUSTRIALS (Miscellaneous)', 'HOTELS AND CATERERS', and 'INDUSTRIALS (Miscellaneous)'.

Handwritten note: 'July 1985' with a signature.



Handwritten scribble at the top center of the page.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'INDUSTRIALS - Continued' and 'INSURANCE'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'LEISURE - Continued' and 'PROPERTY - Continued'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'PROPERTY - Continued' and 'SHIPPING'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'INVESTMENT TRUSTS - Cont.' and 'SHOES AND LEATHER'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'FINANCE, LAND - Cont.' and 'TEXTILES'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'MINES - Continued' and 'TOBACCO'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'INSURANCE' and 'PROPERTY'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'PROPERTY' and 'PROPERTY - Continued'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'PROPERTY - Continued' and 'PROPERTY'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'PROPERTY' and 'PROPERTY - Continued'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'PROPERTY - Continued' and 'PROPERTY'.

Table with columns for company names, stock prices, and financial metrics. Includes sections for 'PROPERTY' and 'PROPERTY - Continued'.

Notes and footnotes at the bottom of the page, including 'NOTES' and 'REGIONAL & IRISH STOCKS'.



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# FINANCIAL TIMES

Saturday March 1 1986

**A MOVING EXPERIENCE**

International Handling and Storage Exhibition

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## Hanson raises £1bn credit for Imperial bid

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

HANSON TRUST, the UK conglomerate which is bidding for Imperial Group, has arranged a £1bn, seven-year credit from a group of international banks led by Chemical Bank of the US.

The money, believed to be the largest single sterling credit to a UK corporation, will go towards meeting the cash element in Hanson's £2.4bn offer for Imperial.

The appointment of Chemical to arrange the deal raised some eyebrows in the City yesterday because of Hanson's close relationship with Lloyds.

Mr Martin Taylor, a Hanson director, said Chemical had been chosen because it was the company's main US bank. He denied that Lloyds had been passed over because Mr Geoffrey Kent, Imperial's chair-

man, was on its board.

Midland Bank, which is sharing its £125m commitment with its Samuel Montagu merchant banking subsidiary is the only British bank involved.

Bankers say the credit highlights the awkward conflicts of interest that can arise when large credits are arranged for disputed takeover. Potential lenders have to weigh up the advantage of taking new business on their books against possible damage to their relations with the target company.

As with many similar deals, Hanson is paying an interest premium to obtain its money. Other underwriters of the credit are Banque Paribas, Credit Lyonnais, Credit Suisse, Sumitomo Bank, Toronto Dominion and Union Bank of

Switzerland.

The deal is two-stage, starting with a short-term standby line which can be drawn on quickly if the bid succeeds. Only then would other banks be invited to subscribe in general syndication of the seven-year loan.

That would allow Hanson to reduce the amount of the borrowing if Imperial shareholders opted for the alternative. Hanson is offering one ordinary Hanson share plus 153p in cash or 10 per cent Hanson convertible stocks or 12 per cent loan notes.

Chemical Bank declined to disclose the credit's conditions yesterday, but bankers said it will bear an initial interest margin of 1 per cent over sterling money market rates rising later to 3 per cent.

That compares with average margins just below 1 per cent paid on a recent £20m credit by Standard Life Assurance.

This prompted speculation that Hanson Trust would quickly seek to refinance at lower cost if the bid succeeds.

Charles Batchelor, writes: Hanson Trust yesterday joined the growing number of companies which have taken takeover battles to the courts with the announcement of plans to sue Imperial Group over its hard-hitting newspaper advertising campaign. Imperial has responded to Hanson's takeover bid seeking a defensive merger with United Biscuits.

Hanson said it had issued instructions for writs to be issued as soon as possible against Imperial, each of its directors and its advertising

agents. It is seeking damages for defamation and malicious falsehood.

Imperial's campaign was the work of J. Walter Thompson, a large advertising agency.

Mr Martin Taylor, a Hanson director, said yesterday: "Our prime concern is to ensure that the directors of Imperial pay an obligation actually to pay attention to the responsibility statement included in the advertisements."

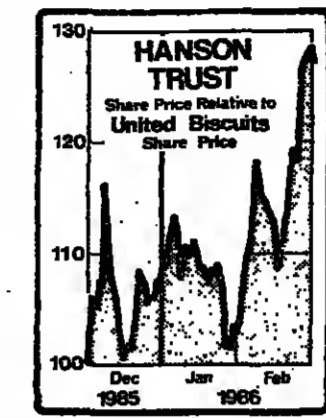
Imperial said last night that it had not received a copy of the Hanson Trust letter. It added: "To the best of our knowledge, all the information was audited and verified. Our advertisements only repeated what we said in our defence document, and Hanson never said anything when that was sent out."

## THE LEX COLUMN

### The writing on the City wall

When the Government and the SIB issued invitations to join the statutory City, the Take-over Panel sent back the point of refusal. The Panel believed that it could best serve the interests of the takeover industry by staying outside the statutory net. Only a couple of months later, that position looks hopelessly unrealistic. Merchant banks which once fought shy of the courtroom are now providing work for the entire Queen's bench.

Index fell 4.1 to 1277.4



all UK banks were forced to see their capital ratios worsened by the translation effect of a rising dollar, they are now getting a free lift in the opposite direction, for a given deterioration in the dollar credit risk, less provision need be made.

For improvement in actual profit, however, Lloyds has had to look to its UK base, where it has been willing to grow the balance sheet quite rapidly, despite some difficult areas. Mortgage lending, a critical area of business for such a large estate agent, could generate only half the average margin that it produced in 1984. Even the UK is becoming seriously competitive, yet with an overseas recovery to match reasonable domestic progress, Lloyds could make £660m before tax this year, and on that basis the current price of 482p may have the shares at something of a discount.

#### Markets

There is no such thing as a thoroughgoing bad day in the London equity market at present. Even renewed weakness of the crude oil price, following through into shaky sterling and stiffer money market rates, could not stop the fun completely. Having spent much of the week trying to shake out stock by marking equities lower in the morning, with signal lack of ability to stop the market rising for the rest of the day, the jobbers must have been pleasantly surprised yesterday to see the nearest thing to a spontaneous burst of selling.

But even that did not last long. Whatever the justification for caution, the mental set of institutional investors at present is generally one in which they are looking for chances to buy something. Signs that the takeover machine is suffering from metal fatigue—in the overextended balance sheets of some participants, and the creaking regulatory consensus—have yet to stop the torrent of deals, still less the market's appetite for them.

No doubt the takeover activity will boil over, and take some of the heat out of equities. But even if that leads to a more severe relapse than last November's, which was in percentage terms only a single figure fall, the balance of power is with those who believe that the indices would be able to recover the last ground, given the strength of the underlying corporate assets.

## Lloyds Bank lifts profits to £561m

By Michael Cassell

LLOYDS BANK yesterday started the UK clearing bank reporting season by unveiling 1985 pre-tax profits of £561m, a 29 per cent increase on the previous 12 months.

The results were accompanied by a 19 per cent dividend increase, up from 17.7p to 21p per share for the year, a one-for-two scrip issue and the disclosure that the bank's bad debt provisions fell slightly from £269m in 1984 to £257m. The reduction was, however, almost entirely attributed to exchange rate fluctuations.

Lloyds' profits came out towards the top end of City forecasts and the bank's shares closed 7p up at 482p. Shares of the other clearers, all of whom report next week, slipped marginally.

Sir Jeremy Morse, chairman, described the results as "excellent", although they were "no more than we need to achieve in a very uncertain world". He said that, following the reorganisation of the bank's corporate structure, it was better equipped to respond to the challenges of unifying markets.

Mr Brian Pitman, chief executive, said that, in spite of volatile exchange rates, the impact on the bank's profits had been broadly neutral. He added: "What we have not been able to control is the cyclical pattern of bad debts."

The bank has made progress in restoring the ratio of shareholders' funds to assets, badly hit by the 1984 Budget which phased out leasing tax allowances and cut Lloyds' reserves by £465m.

The 1984 year-end ratio of 4.7 per cent recovered during 1985 to 5.3 per cent, although it remains below the pre-Budget level of 6 per cent.

Lloyds contained the rise in operating expenses to £69m, representing the lowest rate of increase for five years.

Pre-tax profits in the UK, where there had been a marginal reduction in provisions, rose from £349m to £460m.

In spite of intensifying competition, both UK retail and corporate banking arms made higher contributions. There was also a marked improvement in profits from Bowmaker Finance. The number of current accounts in the UK fell by about 20,000 to 5.3m, although balances rose by 6 per cent.

Results, Page 8

## PCW members' losses grow

BY JOHN MOORE, CITY CORRESPONDENT

MORE THAN 1,500 underwriting members of the Lloyd's insurance market, whose affairs were managed by the troubled PCW underwriting agency, are facing a further rise in losses already standing at £130m.

An independent agency, established by Lloyd's to look after the affairs of the members, following discovery of irregularities, warned in a letter sent this week that it was probable there would be a deterioration on two syndicates into which the members are grouped.

The agency, Additional Underwriting Agencies (No. 3), said that at present it could not quantify the extent of the deterioration. Lawyers, accountants and underwriters, however, who are helping the underwriting members, fear overall losses could climb to between £200m and £250m.

In one of the worst series of troubles ever to hit the Lloyd's insurance community the 1,525 found that more than £30m of their funds were diverted by two former managers of the PCW agency, Mr Peter Cameron-Webb and Mr Peter Dixon.

After discovery of the losses

the parent company of PCW, Minet Holdings, the large UK insurance broker, with US broker Alexander and Alexander Services, the parent of Alexander Howden, another broker involved in the affair, made a joint offer to compensate members for missing funds in 1984.

Last year it was discovered the underwriting members faced trading losses of £130m. These the members alleged were directly linked to the earlier irregularities of the former executives.

A steering group representing more than 300 hardest hit members is planning legal action but, after talks with Lloyd's, has agreed to wait before launching its full campaign.

Attempts are being made within Lloyd's to see whether an out-of-court settlement can be reached with the members, involving contributions by Lloyd's brokers and other intermediaries.

Further, the members are seeking a contribution from Lloyd's. Lloyd's is considering ways in which the entire membership of the market, 28,587 members, could be used to pro-

vide insurance cover for the members to stop the losses rising above a certain level.

The problem for parties involved in seeking a settlement is that no firm figures for the actual losses have been calculated and, therefore, no settlement can be reached.

The steering group of underwriting members wrote to its constituents this week. It told them that unless it was satisfied Lloyd's and others involved in the affair were going to present in the next two weeks proposals which were fair to the members, "we will recommend that the names [the members] take the matter into their own hands and commence proceedings."

Meanwhile a company established by Minet to recover assets for the members is talking with Mr Cameron-Webb. The talks could involve his paying across assets representing £1m and leave the company on open-ended arrangement to seek more assets from the former underwriter.

Other talks, between the company and Mr John Wallrock, former chairman of Minet, who was implicated in the affair, could lead to a £250,000 payment by Mr Wallrock.

## Paris and Bonn agree to boost military co-operation

By David Marsh in Paris

FRANCE and West Germany yesterday agreed to increase military co-operation and also reached a compromise which could eventually lead to Bonn's participation in the French plan to build a European space shuttle, Hermes, for the 1990s.

President Francois Mitterrand and Mr Helmut Kohl, the West German Chancellor, announced that Paris would consult Bonn over use of French tactical nuclear weapons against targets in West Germany in the event of East-West conflict.

Agreement on the consultation mechanism, under discussion for some months, underlines the fact that France believes its European security interests overlap with West Germany's.

France remains outside the integrated command structure of the North Atlantic Treaty Organisation and retains an overall policy of independence in use of its nuclear deterrent. Yesterday's accord, however, emphasises that France is willing to use its nuclear force to defend West Germany as well as its own territory.

Talks in Paris on Thursday evening and yesterday, part of regular twice yearly summits between the two governments, have been overshadowed by the French general elections, which take place in a fortnight's time.

Nevertheless, the talks ended with a series of statements forecasting greater co-operation between French and German forces in West Germany, a start this year to joint training for officers, and more joint cultural events.

Mr Mitterrand stressed that the basic decision on using either conventional or nuclear weapons in a conflict in West Germany could be taken only by the French President.

Any French decision to start manufacturing the neutron bomb, which he said France had already carried out research and development—would not involve consultation with Bonn. Mr Mitterrand said France would begin production of the neutron bomb only if superpower arms reduction talks failed.

West Germany maintained its refusal to give immediate backing to Hermes, which France is proposing as a way of giving Europe autonomy in orbital space transport by the mid-1990s.

Bonn will decide on the matter in the autumn, after more consultations with the French. The project could go ahead formally as a European programme in mid-1987.

That is one year later than the schedule so far favoured by France, which will next week, at a council meeting of the European Space Agency, seek formal endorsement from other European countries for the project.

One leading ESA official said last night he was pleased with the compromise, which kept the project alive. He stressed that CNES, the French space agency, was already offering participation in Hermes to German companies, in spite of the lack of backing from Bonn.

ESA believes Hermes could still meet France's planned date for a first flight by 1995-96.

However, the setback to the US space programme resulting from the shuttle disaster last month could delay plans to build a US space station with European participation, by 1994. This would provide a further reason for delaying the Hermes project.

## French halt N. Zealand imports

BY DAVID HOUSEGO IN PARIS

THE FRENCH authorities are holding up imports of lamb's offal, fruit and fish from New Zealand in an apparent attempt to put pressure on the New Zealand Government to release two French agents.

The two are serving prison sentences in New Zealand for their part in the blowing up of the Rainbow Warrior.

New Zealand diplomats in Paris confirmed yesterday that since last month the French authorities have without warning refused import licences for some New Zealand products or turned away goods as being wrongly described. The New Zealand embassy said complaints to the French Ministry of Agriculture and the Foreign Ministry had yielded no satisfactory reply.

On Thursday, Mr David Lange, New Zealand's Prime Minister, denounced the French Government for imposing import licences and non-tariff barriers against New Zealand goods. He said such measures were "a very odd way of trying to obtain the release of two guilty people."

The restrictions come at a time when New Zealand's

exports to France have been quickly growing. Negotiations are due to begin later this year on new import regimes to the European Community for New Zealand hutter and lamb. New Zealand's exports to France have grown from NZ\$106m (£37m) in 1981-82 to NZ\$214m (£67m) in 1984-85.

Apart from the overall voluntary restraint agreement between New Zealand and the EEC over sheep meat, there is a subsidiary agreement with France covering sheep imports.

New Zealand officials say the French Government has denied any link between the imports problem and French demands for the release of the agents.

French opposition leaders have said, however, that if the rights in the elections in March they will take tougher reprisals against New Zealand to secure the agent's release.

New Zealand officials' attention was drawn to the restric-

tions by French importers. One complained that containers of lamb's brains had been refused licences normally granted automatically before customs clearance. The French say the licences are necessary for statistical purposes.

Imports of frozen black cod (a fish sold in France as St Pierre) have also been turned back on the grounds that the nomenclature was wrong. Canned Kiwi fruit has also been refused entry.

In his remarks Mr Lange raised some hope that the French agents might be freed earlier than expected when he said they could not be released before serving an appropriate part of their sentence.

The New Zealand Government is seeking a formal apology from France for the blowing up of the Rainbow Warrior in New Zealand territory. Negotiations are believed to have been stalled since December.

## Teachers' pay deal fears after NUT legal threat

BY DAVID BRINDLE, LABOUR STAFF

THE PROPOSED settlement of the year-old teachers' pay dispute in England and Wales hung in the balance last night after the National Union of Teachers made a last-ditch threat of legal action to prevent it going through.

The development came as hopes of the deal being ratified by the statutory Burnham pay negotiating committee, as scheduled yesterday, faded in an atmosphere of fresh suspicion between unions and employers.

It was clear that the agreement on terms for a return to normal working, reached after a nine-hour meeting through Thursday night at Acas, the conciliation service, was proving fraught with problems on both sides of the bargaining table.

As the Burnham session was adjourned last night until Monday, with the two sides not having met face to face, union leaders were warning of a fierce reaction by their members if the deal collapsed.

Mr Fred Smithies, general secretary of the National Association of Schoolmasters/Union of Women Teachers and leader of the five smaller unions wanting to accept the deal, said: "They would be more angry than they have ever been and the consequence for the schools could still founder when the Clea-ST committee, where the NUT may retain a majority, meets to consider it next Thursday."

Burnham to outvote the NUT, which opposes the settlement comprising a 6.9 per cent pay rise from April 1 last year, another 1.6 per cent from March 31 and further negotiations to a new teacher contract.

Yesterday the NUT was questioning whether Burnham could, according to the Remuneration of Teachers Act, deal with a settlement which referred to both pay and service condition matters. Service conditions are discussed separately at the non-statutory Clea-ST committee.

Sir John Wordie, independent chairman of Burnham, considered that the committee was able to discuss the settlement terms, which the employers would not support without the link between pay and service conditions.

However, the NUT made clear that it was considering seeking a High Court declaration on the matter.

The other issue threatening the pay agreement last night was the return to normal working. Many teachers say they are unwilling to resume what they consider to be voluntary activities boycotted during the dispute.

Even if both these problems were overcome, the pay deal could still founder when the Clea-ST committee, where the NUT may retain a majority, meets to consider it next Thursday.

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISERS	
Armstrongs Equip	111 + 8
Ashley (Laurie)	232 + 30
Berisford (S. & W.)	202 + 10
Burgess Products	182 + 11
Canning (W.)	190 + 7
Cope Allman	288 + 18
Cowie (W.)	146 + 12
Crouch D.	156 + 23
De Beers Defd	500 + 25
Ford (Martin)	125 + 22
Hoit Lloyd	88 + 6
Home Charm	380 + 104
JCI	827 + 10
Jacob (W. & R.)	110 + 18
Jebens Drilling	12 + 4

FALLS	
Lloyds Bank	482 - 7
Morquandale	203 + 28
Mollins Tunks	174 + 11
Newman Tonks	178 + 11
Remishaw	316 + 21
Richardson W'garth	29 + 7
Stanley (A.G.)	81 + 7
UKO Int'l	196 + 14
Exch 12pc 2015-17	£1204 - 1
Beaton Clark	186 - 12
Beecham	356 - 9
BHP	830 - 13
Dewey Warren	125 - 38
McKeechie Bros	196 - 42
Williams Hidge	596 - 14

## WORLDWIDE WEATHER

UK today: Cold, drizzle, snow in S; sleet or snow in E, Gales, snow in S, sleet or rain in E, dry elsewhere.

City	Temp	Wind	Cloud	Precip
Alicante	15	SE	100	0
Amsterdam	10	E	100	0
Barcelona	14	E	100	0
Berlin	8	E	100	0
Bombay	28	E	100	0
Buenos Aires	18	E	100	0
Calcutta	28	E	100	0
Cairo	20	E	100	0
Cardiff	10	E	100	0
Chennai	28	E	100	0
Columbo	28	E	100	0
Dublin	10	E	100	0
Hong Kong	20	E	100	0
London	10	E	100	0
Lyons	10	E	100	0
Madras	28	E	100	0
Manila	28	E	100	0
Medan	28	E	100	0
Metz	10	E	100	0
Mumbai	28	E	100	0
Nairobi	20	E	100	0
Paris	10	E	100	0
Perth	15	E	100	0
Rangoon	28	E	100	0
Reykjavik	10	E	100	0
Rome	10	E	100	0
Singapore	28	E	100	0
Sydney	15	E	100	0
Taipei	20	E	100	0
Tokyo	15	E	100	0
Yokohama	15	E	100	0

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The Manager's fee is included in the calculation of the offer price of the units. An initial service charge of 5% annual charge (monthly) of 1% plus V.A.T. on the value of the fund is deducted from the Trust's income. The Trust Deed permits a maximum annual charge of 2% but any increases in the prevailing rate will be subject to 3 months notice to unit holders. There is no charge for administration expenses, including trustee fees and agent's commission. Subject to this charge, and net of basic rate tax, income is payable to unit holders on January 31st and July 31st each year. Units are distributed twice monthly before payment date. Commission is paid to qualified intermediaries. Rates are available on request. The Trustees are The Royal Bank of Scotland plc, 21 St Andrew Square, Edinburgh EC2 2PZ. The Republic of Ireland. The Manager is a member of the Unit Trust Association.

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Block Letters Please (Please State Mr, Mrs, Miss or Title).

For names

Surname \_\_\_\_\_

Address \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

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March 1 1986

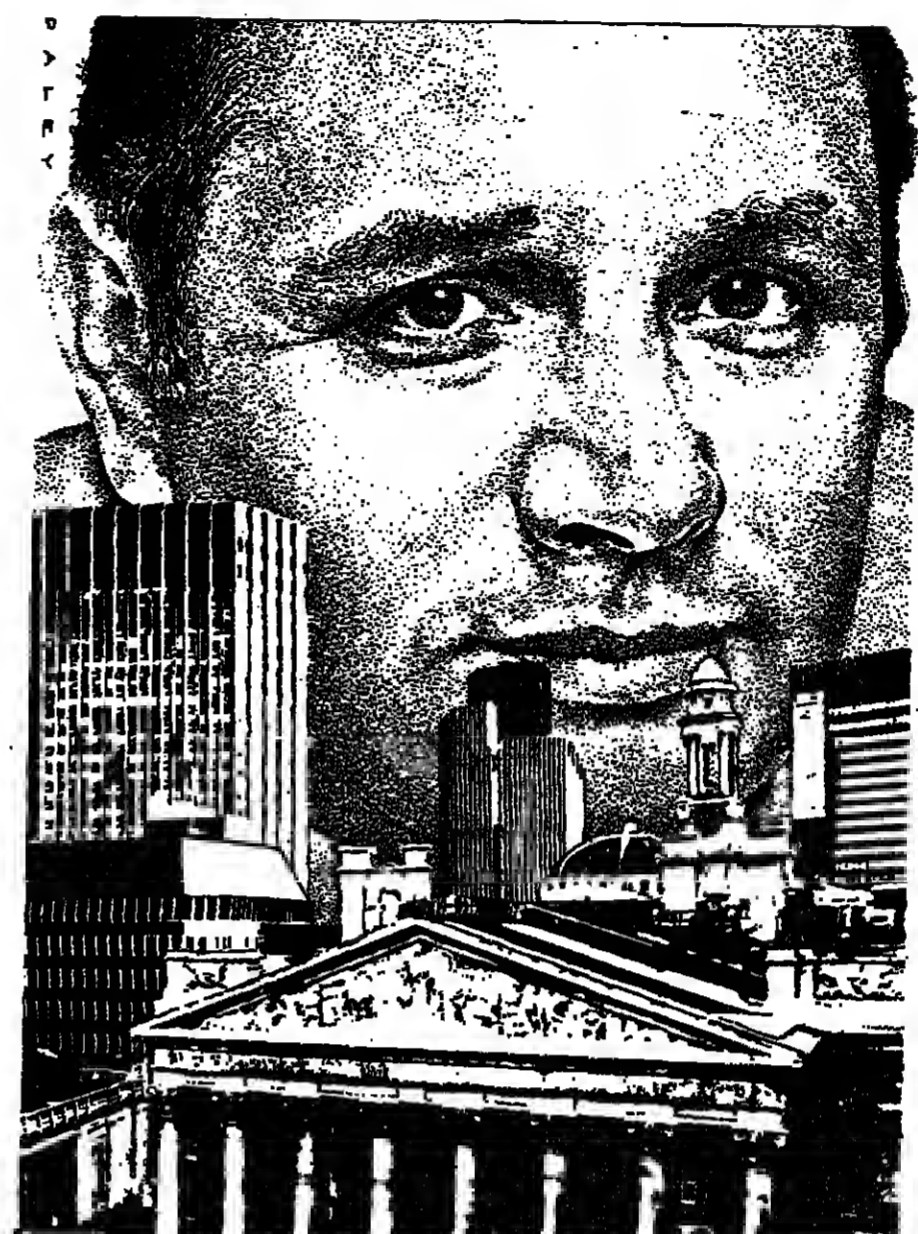
# WEEKEND FT

Saturday March 1 1986

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

## Shah's secret year

On Tuesday, Britain is due to see a revolutionary new daily newspaper. But raising the finance took owner Eddie Shah 12 frustrating months. David Goodhart and Patrick Wintour reveal how it was done.



and Sunderland newspaper groups (PSN)—both medium-sized, old family businesses—were interested in joining Shah. Early in October he rang Sir Richard Storey, chairman of PSN. "I was hugely intrigued," says Storey, "and we gave a tentative yes, but we wanted to know more about the proposed content of the paper and the other backers. We worried that it could look like some fascist mob out to smash the unions."

On October 25, Shah lost faith in LBI. He left a meeting with Fortin and said to Templeton, "OK, let's do it ourselves, then." Shah had discussed with Templeton, Harris, Dowson and others the possibility of cutting out the middle man and going straight to companies which might invest in him. "I just decided to go on the road with Ian," says Shah.

As time went on, the search for support was leading Shah and Templeton to look, in Templeton's words, "for organisations that were quite tightly controlled—without lines of middle management to wade through." British and Commonwealth (Bricom) fitted the bill perfectly. The financial services and transport group—the leading corporate supporter of the Tory Party—is effectively run by about four men. One was Neil Forster, the managing director; he was immediately impressed. "We thought his (Shah's) presentation was well done and excellently researched." He adds that although they knew it would be a risk project they were attracted because "it was a just cause and about time that sanity prevailed in the industry."

Shah's star finally appeared to be in the ascendancy. The day after the meeting with Forster on November 1, Shah had his first formal meeting with Lord Forte at the Grosvenor House Hotel, one of the 800 THF owns worldwide. He spent 45 minutes chatting to the intense, 77-year-old, Italian-born tycoon. Forte, probably seeing in Shah some of his own youthful spirit, reminisced about how he had built up his company from a single milk bar in Upper Regent Street in 1955.

A few days later—through Forte—Shah met Sir William Rees-Mogg, 57, editor of The Times 1967-81, who is now chairman of Sidgwick and Jackson, a publishing subsidiary of THF, and an informal consultant to Forte. Beneath Rees-Mogg's donnish country gentleman's manner is a meticulous mind—which has spent much of the past 25 years thinking about the problems of national newspapers. Shah knew he was facing an important test. Rees-Mogg was impressed. "I thought he had a good grasp and a good technical knowledge, and while he obviously has a lot of entrepreneurial energy he was not a dangerous enthusiast. The figures looked good."

Shah had passed the examination and gained a crucial adviser to whom other investors—such as Forster—were directed for a detached, but positive, appraisal. He now felt he was in the home straight of the financial quest—but first came six tense weeks veering between optimism and deepest gloom. The yo-yo began on an up with Taylor, Bricom and THF all very interested. John Menzies, chairman of the newsagents and wholesalers group, who had been introduced by Dowson, was also inquisitive. A week later, however, bad news sent Shah's spirits plummeting. He had just returned from a presentation to the Duke of Westminster at his home Eaton Hall in Cheshire, when a call came through to the Warrington office from Lord Taylor who, almost apologetic, said it had been decided that Taylor Wood

Continued Page VIII

Government's trade union laws had not yet sunk in properly, the idea of a non-union national paper was still met with the stock response that the unions would crush it. And if it was possible, then surely someone bigger than Shah would have tried it already? Shah's reputation as the victor of Warrington was a strength and a selling point—but it was also a weakness. He was a dangerous fellow.

Nevertheless, half an hour after that meeting with Neil, Shah knew it was possible. "I'm part Eastern, you see, and that gives me great faith. If something is meant to be, then it will," he says. He now needed quickly to find a reliable nucleus of consultants to help fill the large gaps in his knowledge and experience, raise several million pounds for what was bound to appear a highly risky venture, start thinking of buying a whole new generation of newspaper equipment, find premises, and even think of hiring staff.

The next crucial confidant was Lord Harris of Greenwich, the SDP peer and former Labour MP who had met Shah for the first time only in November, 1983 when he started to take an interest in the Liberal Right. Harris, a former adviser to Hugh Galtskell and Roy Jenkins who ran Labour's publicity department from 1962-1964 and joined the SDP ten years later, warmed to Shah and his cause at once. He joined the Messenger board in January, 1984 and was soon to find an important role smoothing Shah's passage into parts of the London establishment.

If Harris can be seen as the mildly left-of-centre conscience of the new paper, the third key figure, Norris McWhirter, provides a blast from the Liberal Right. However, McWhirter, editor of the Guinness Book of Records and chairman of the right-wing Freedom Association, was to play a more back-ground role.

Shah had no idea how to go about a fund-raising exercise such as this. "At the beginning, we literally thought: 'Who's got so much money they wouldn't mind having a little flutter on a good idea like ours?' We read the papers, racked our brains and flicked the pages of Who's Who." Towards the end of March 1984 he did the obvious thing and visited his bank manager, Peter Sanderson, at Lloyds regional headquarters in Manchester. Sanderson referred him to the group's merchant bank, Lloyds Bank International, merchant banks being the traditional co-ordinators of money-raising on this scale.

The first serious finance meeting came in April when Shah got together with Richard Fortin, a director, and Derek Ahlert, a senior assistant director, at LBI. "They were rather pompous," Shah remembers. "It was all 'Well, we can see the advantages but, hut...' Templeton, however, recalls that they suggested a full report on the Messenger group and the national paper scheme by a firm of accountants with no existing newspaper commitments. The firm was Thomson McLintock and its report established £8.5m as the equity capital target to be raised for the new company—with another £10m for the presses and other equipment to be raised through conventional hire purchase and loan agreements.

The report also made clear that Shah had already decided not to distribute in Scotland, initially at least—and was in fact aiming for less than 70 per cent of England and Wales. The circulation estimate, which had by then risen to just under 700,000, now appears extremely pessimistic and has indeed been revised upwards to 1.3m, but the profit calculation of £13m out of an annual revenue of about £50m was still remarkable for a new national newspaper.

The explanation can be found in Thomson McLintock's dry summary of the project. "Advertising and editorial content of the newspapers will be prepared by the use of 'state of the art', electronic integrated text, graphics and photographic handling systems will be transmitted simultaneously to four regional print centres. The whole organisation will be staffed at levels and cost appropriate to the optimum use of the technology available and without regard to existing custom and practice within the newspaper industry. Total number of employees is projected at 487."

Thomson McLintock's report on Messenger made for less exciting reading and the men from LBI started to get cold feet. They were now advising that money could not be raised directly from investors but pushed the idea of a flotation of Messenger on the stock market. Meanwhile David Sainsbury, the supermarket empire's SDP supporter, had responded with a firm "no" to Harris's tentative fund-raising inquiry. But Harris had also been introducing Shah to a few more people who might be useful. Graham Dowson, the former chief executive of the Rank Organisation who left after a boardroom row in 1974, analysed Shah's figures and advised him to look to the venture capital markets. If there was a point in Shah's mind

after which there was no turning back, it was in early June, 1984, when he visited the US for the American Newspaper Publishers Association conference in Atlanta, and saw in action some of the sophisticated systems he was soon to buy.

In mid-September, Shah visited McWhirter for the first time at his home in Wiltshire. In retrospect, it probably qualifies as the single most important meeting of the "secret year." McWhirter had heard vaguely of Shah's plans but he now received a full rundown from him and also heard of his disillusion with the traditional money-raising channels. "I asked him who are the men with nerve and he told me to try Lord Taylor and Lord Forte," recalls Shah. McWhirter offered to write to both men—Frank Taylor, president of Taylor Woodrow, the construction group, he knew through the Freedom Association and Charles Forte, chairman of Trust House Forte (THF), the largest hotel and catering group in the world, was an old acquaintance.

On the morning of October 8 Shah visited the 80-year-old Lord Taylor in

Mayfair, London. The meeting was a tremendous boost to Shah's flagging confidence. He had already been talking to Templeton about raising the money in the US if there was no breakthrough by Christmas. Suddenly, here was one of Britain's top industrialists staking him warmly by the hand and showing immediate enthusiasm for the plan. Taylor is well-known for his staunch right-wing politics and his antipathy to unions. Shah's image naturally appealed to him and he said he would look closely at the figures and ask his board about the possibility of an investment.

Meanwhile, Shah visited three more merchant banks—Baring Brothers, S. G. Warburg and Hambros—and two venture capital groups, Candover Investments and Electra. He was also keen to attract investment from at least one other newspaper group—both to use its experience and because support from within the industry would be reassuring to outside investors. Obviously, it could not be a rival national paper group, but the two technological pace-makers in the provincial press, the Wolverhampton Express and Star and the Portsmouth

### The Long View

## How raised eyebrows still rule the City

WHEN HIGHLY intelligent people do apparently silly things, there is clearly always a good explanation; so it is worth brooding about why the Securities and Investment Board has produced a set of draft rules covering conflicts of interest, some of which seem more likely to inspire satire than respect. The rule against churning is a good example.

Churning, as I am sure you are aware, is the practice of persuading clients to do deals whose only merit is that they generate commission. At its simplest, an investment manager who has discretion will simply switch all his ICI-holding clients into BTR, and vice versa.

These are both fine companies, and no client involved is likely to query the trade, unless you put the circulars explaining the switch into the wrong envelopes, as is said to have happened on one occasion. If you manage it right, there is no need to trouble the Stock Exchange with these transactions at all, since you deal only with the shares you manage—and thus get the benefit not only of the commission, but of the market-maker's spread, too. All totally deplorable, of course, but until recently, desperately hard to prove.

In these days of computers with long memories, such transactions could, in principle, be traced.

However, this is not a matter of clear cases, but of indeterminate gradations. At one extreme you have the in-house swap, at the other you have simple over-enthusiasm by equity salesmen, who talk clients into deals which it would be hard to justify with hindsight. Is this churning, or just bad judgment? And need anybody care? The honest dunderhead will lose his clients more money than the sharp-practitioner with a sharp mind. He may be after short-term commission income, but he also knows that he has a long-term

Draft rules from the Securities and Investment Board may be a major advance in investor protection; but in practice they will be hard to enforce, except by traditional City self-regulation, says Anthony Harris.



interest in satisfied clients, and does his best even if it is not always an entirely honest best. The Securities and Investment Board, however, has to care, because it is in the business of establishing a code of conduct to protect clients. The result is the strange anti-churning rule published in draft this week.

Churning, the SIB concludes with an almost audible sigh, is not only hard to prove but difficult to define. However, churners know when they are

churning, and they mustn't do it. You see what I mean about intelligent people doing apparently silly things; this looks like self-regulation reduced to the level of the individual dealer.

City veterans, however, are likely to regard rules of this kind not as an example of legal naivety (just imagine trying to sue a broker for an offence which the authorities cannot even define), but as simply the British way of doing things—the whole system of City poli-

ing known broadly as Governor's Eyebrows. Self-regulation, as traditionalists have explained down the years, is actually tighter than a legalistic code, because it sets standards rather than rules, and insists on decorum rather than allowing anything not expressly forbidden.

This approach, enforced by a set of informal sanctions ranging from the icy interview in the Discount Office—the raised eyebrows—to quiet blacklists operated by the accepting houses, has indeed worked remarkably well in the past. However, it rested on the implicit discipline of the blackball—the power of the members of a small exclusive club to keep out or throw out undesirable, or so "disobliged" anyone who was merely suspect as to make him wish he was dead. That approach will work much less well when the club is not so much like the Beefsteak as the RAC—impressive, well-equipped, but not exclusive.

Note, too, that the protection provided for the private client and the small investor was largely incidental. The City code basically protected a way of doing business by word of mouth. Now the kind of people who can be trusted to stand by a verbal deal on which they may have lost millions can also be trusted in smaller matters—certainly as long as they were financially sound. Equally, a broker who was making his cartelised millions on institutional business would hardly stoop to petty malpractices. Let me have men about me that are fat, as Caesar rightly said.

In the first brave rush toward the new deregulated world, both the Government and the Bank seem to have hoped that the City's traditional approach would still work very well. The painful correction now in progress, the rule-drafting and the argument, are a slow admission that you cannot keep all the advantages of a cartel if you

abolish the cartel. It is the shortage of fat men which is the real problem. When fixed commissions are gone, the City men will have to turn increasingly towards fee-generating activities—"bought deals" in the jargon—and to small private clients for its income; and misbehaving towards private clients, which it is both deplorable and short-sighted, is not a direct threat to the City's own system of doing business.

The new rules are in principle quite a major advance in investor protection. The kind of laxity which permitted just-bitten trusts to operate in the past, or IOS salesmen to travel round the country, will be gone. It is still far from certain, though, as the churning problem shows, that the protection will in all cases be tighter in practice. The fingerprints of the wrongdoer may be there in some central computer, but somebody still has to decide them.

It is already becoming clear, then, that the new world will require far more quasi-legal rules, and far more expense on enforcement, than once was hoped. There is one more change, though, that is not yet being faced—not in public, anyway. I feel sure that in the end we will also have to raise standards of disclosure, and sharply.

The great unsung merit of the City informal system of self-discipline was that all skeletons could safely be kept locked in Bank of England cupboards. The eyebrows would deal with the problem, and the City's reputation would be undisturbed. The bigger the system, though, the greater the need for public scrutiny by all sorts of uncomfortable people like credit-rating agencies and muckraking journalists. When this issue is faced, I will believe that that authorities are fully alive to what they have wrought—but not until then.

### CONTENTS

Property: Ideal Home Exhibition	XIV
Motoring: Renault 21	XV
Diversion: Porcelain—and China	XVI
Gardening: Pruning for spring	XVI
Books: Dalton's diaries, 1940-45	XVIII
Sport: Martin Bell, British skier	XX
Arts	XIX
Books	XVIII
Bridge	XVI
Chess	XI
Crossword	XX
Diversion	XVI, XVII
Finance & Family	IV, XII
Gardening	XVI
How to spend it	XVII
Markets	II, III
Motoring	XV
Property	XIV
Sport	XX
Stock Markets	II, III
London	XX
New York	XX
Travel and Radio	XX

The temperature in Surrey today is 82° F

Port Antonio is in Surrey, Jamaica. And right now it's warmer than Surrey, England.

For the Jamaica Information Pack, write to: Jamaica Tourist Board, 50 St. James's Street, London SW1A 1JT. (01-499 1707).



MARKETS

Why the share price party isn't over yet

SOMEWHAT like a row of King Canutes, a large number of market commentators in the City are saying that equities look expensive on grounds of yields and earnings multiples and against the gilt market, despite the strong rise in Government stocks.

movements depressed the full year figures by between £50m to £70m against a £100m benefit within the 1984 results. The profits actually came in a touch ahead of most expectations but there was little in the statement to get excited about in London. City analysts are nevertheless holding their breath over the weekend.

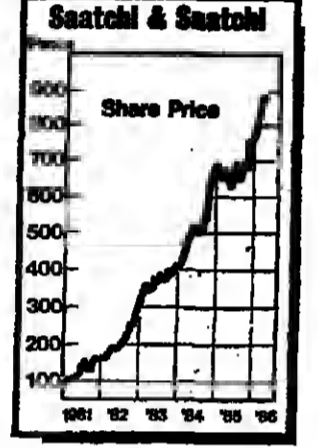
13p. There was perhaps only one disappointment; marine engineering produced a small dip in profits from £8m to £4.5m under the weight of pre-production costs on three production launches.

London

question is, where? On Monday and Tuesday the UK management will be doing the rounds of US analysts and what happens next to ICI's share price should be determined by what happens there.

Buying orders from the other side of the Atlantic have been hitting London fast and furious over the past couple of weeks and the amount of equity held in ADR form may have risen to 15 to 16 per cent, compared to 13 per cent the Monday before last.

When ICI's shares were changing hands around 630p some six months ago the fall in the price looked overplayed. Though not many in the market then would have predicted that the price would fight its way right back to over 900p in such a short space of time, especially as the full year figures for 1985 could show nothing but a shortfall in pre-tax profits.



While the chemical giant's results were fairly much as anticipated, Vickers managed to deliver a pleasant surprise earlier in the week. Full year profits jumped by 46 per cent to £45.1m pre-tax and the dividend total was lifted by 3p to

HIGHLIGHTS OF THE WEEK

Table with columns: FT Govt Securities Index, FT Ordinary Index, Baird (William), Berksford (S. and W.), Biddle Holdings, Bramall (C. D.), British Telecom, Country Gattina's Assoc, Cowie (T.), Ford (Martin), Geover Tin, Granada, Jobsons Drilling, McCornedale, North Broken Hill, Photax (London), Rustenburg Platinum, STC, UKO International, Vickers. Columns include Price, Change, 1985/86, 1984/85, and notes.

DTI lifts unit trust 25% rule

THE BEGINNING of 1986 has seen an unexpected upsurge in the number of managed funds specialising in the USM.

USM UNLISTED SECURITIES MARKET

ever, has performed remarkably well over the last 34 years, outperforming not just the USM index but the main market too.

Banking

black with a pre-tax profit in the £5m-£10m range. Its underwriting losses could be cut by a quarter to around £315m with strong recoveries in both the US and UK.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND DEALS

Table with columns: Company bid for, Value of bid per share, Price market before bid, Value of bid, Bidder. Lists various companies and their financial details.

PRELIMINARY RESULTS

Table with columns: Company, Year to, Pre-tax profit (£000), Earnings per share (p), Dividends per share (p). Lists companies like Berksford, S & W, Blackbird Toys, British Vind, etc.

INTERIM STATEMENTS

Table with columns: Company, Half-year to, Pre-tax profit (£000), Interim dividends per share (p). Lists companies like Coln Ind, Cope Almain, etc.

RIGHTS ISSUES

High-Point Services—To raise £3m through a one for four rights issue at 330p.

SCRIP ISSUE

Polypipe—One for one.

OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

City Site Estates—Placing of 1m shares at 135p.

FINANCIAL TIMES SURVEY

REFURBISHING The Financial Times proposes to publish a Survey on the above. The provisional date and editorial synopsis are set out below. PUBLICATION: 11 APRIL 1986. COPY DATE: 27 MARCH 1986. 1-Introduction, 2-Housing, 3-Offices, 4-Industry, 5-Shopping, 6-Historic Buildings, 7-Public Buildings, 8-Roads and Bridges, 9-New Materials and Techniques, 10-Specialists, 11-Case studies and company profiles. Advertising Information. Dates of Financial Times Surveys are subject to change at the discretion of the Editor. Please address any enquiries on editorial information to the Surveys Editor.

Banks bounce back

GOOD RESULTS from LLOYDS yesterday pushed the reporting season of the big four clearing banks off to a strong start. The other three, which bring out their 1985 results next week, are expected to maintain that momentum.

ing than in wholesale banking, which is still fiercely competitive. The fall in sterling value has affected the translation of overseas profits—although this will weigh more heavily on Midland and NatWest than on Barclays, which uses average exchange rates. Meanwhile hedged debts continue to be as serious a problem, with bad debt provisions of about half of pre-tax profits generally expected.

on Thursday—the shift to using equity accounting for its South African subsidiary. Nevertheless, Barclays will remain the largest of the big four in terms of profits, with most in the City expecting £860m (£622m restated for 1984), after had debts of about £450m.

Results due next week

called in business and financial consultants for a review of what was going wrong. Shortly before this the chairman, Sir Kenneth Corfield, resigned as chairman and chief executive.

its present form. The interest will therefore be on the below the line elements in this and next year's figures as closure and other extraordinary costs bite deep.

The City are expecting the company to produce much more than £90m for the year in December on Thursday compared with £124m in 1984.

black with a pre-tax profit in the £5m-£10m range. Its underwriting losses could be cut by a quarter to around £315m with strong recoveries in both the US and UK.

INTEREST RATES: WHAT YOU GET FOR YOUR MONEY

Table with columns: Quoted rate %, Compounded return for taxpayers at 30%, 45%, 60%, Frequency of payment, Tax (see notes), Amount invested £, Withdrawals (days). Lists various financial products like CLEARING BANK, BUILDING SOCIETY, NATIONAL SAVINGS, MONEY MARKET ACCOUNTS, BRITISH GOVERNMENT STOCKS.

FINAL DIVIDENDS

Table with columns: Company, Announcement date, Dividend (p) Last year, Final, This year. Lists companies like Alliance Trust, Barclays Bank, Biogenics International, etc.

\* Dividends are shown net pence per share and are adjusted for any interim dividends.



# Bearish IBM fails to tame the bulls

THERE was a time not so very long ago when the bearish winds from the stock market were held in check by the IBM effect. Under the leadership of the Street, IBM would send the market through Wall Street. Not this week.

The bearish morning "Big Blue" which is the Street's anachronistic term for IBM (the market's most closely followed stock) issued yet another bearish statement warning about the impact of price cuts on its financial performance and noting that there continued to be an absence of evidence of improvement in the US economy.

Some astute IBM-watchers in the analyst's community added to the gloom by downgrading their earnings forecasts yet again. Two months ago, the market was betting that IBM would boost its 1986 earnings by around a fifth to \$12.75 a share. This week, the analysts have been busy downgrading their forecasts. Salomon Brothers, for example, is now forecasting 1986 earnings of \$11.80 per share, an increase of little more than 10 per cent.

IBM's share slipped by \$2 1/2 to \$155 1/2 on the news, but Wall Street, after an initial hiccup,

themselves to buy bonds yielding 8 1/2 per cent.

The rally continues to be led by the "blue chip" stocks. The shares of Philip Morris, which raised its dividend by 15 per cent and announced a two-for-one stock split this week, touched a 12-month peak of \$106. Among the other major stocks to hit new peaks this week were American Express (\$66 1/2), Coca-Cola (\$97 1/2), McDonald's (\$88 1/2), J.P. Morgan (\$71 1/2), Phibro-Salomon (\$50 1/2), and Sears Roebuck (\$44 1/2).

The shares of Union Carbide and Eastman Kodak, two constituents of the Dow Jones Industrial Average which have had more than their fair share of negative publicity over the past year, also joined in the rally. Union Carbide's shares, which a year ago were trading at \$36, have been trading in the high \$50s this week on speculation that the company might get more than it anticipated for its consumer products division.

Among Kodak shares have also been strong performers amid rumours that GAF Corporation, which tried and failed to take over Union Carbide, was now thinking of getting into the photographic business.

Not surprisingly, given the weakness in oil prices, the shares of the US oil majors continue to lag the market and there are a few brave investors who are beginning to look around the oil patch in search of yields noticeably higher than the 3.62 per cent offered on the Standard and Poor's 500.

They have plenty of choice. At one extreme is Texaco, shares of which are yielding 10 per cent at \$30 1/2. At the other extreme is Amoco, which is yielding 5.6 per cent at its present price of just under \$60. In the middle lies Exxon, the shares of which — now standing at \$52 1/2 — yield 6.9 per cent.

The one bright spot in the sector was Standard Oil, whose shares jumped by \$2 1/2 to \$31 1/2 after British Petroleum sacked the top management team. Its shares jumped \$2 1/2 to \$51 1/2 after the news. Despite BP's denial, Wall Street is still betting that BP will make a bid for full control sooner or later. Investors may have a long wait if BP is to be believed.

## Wall Street

powered ahead and by the close the Dow Jones Industrial Average had leapt over the 1700 hurdle in the fifth busiest session in the history of the New York Stock Exchange.

It's a delicious moment in history, says Robert J. Barbers, chief economist for E. F. Hutton, summed up the present mood on Wall Street.

The rise in share prices is being fuelled by the dramatic performance of the credit markets. By yesterday morning, long term US Government bond yields had dipped to 8.12 per cent. Bond prices have risen by 1 1/2 points and yields have declined by 199 basis points in three weeks.

The US Government's key long bond, Treasury 30 year, due 2016, reached a record 110 1/4 on Thursday evening and long term bond yields are now standing at their lowest level since April 1978.

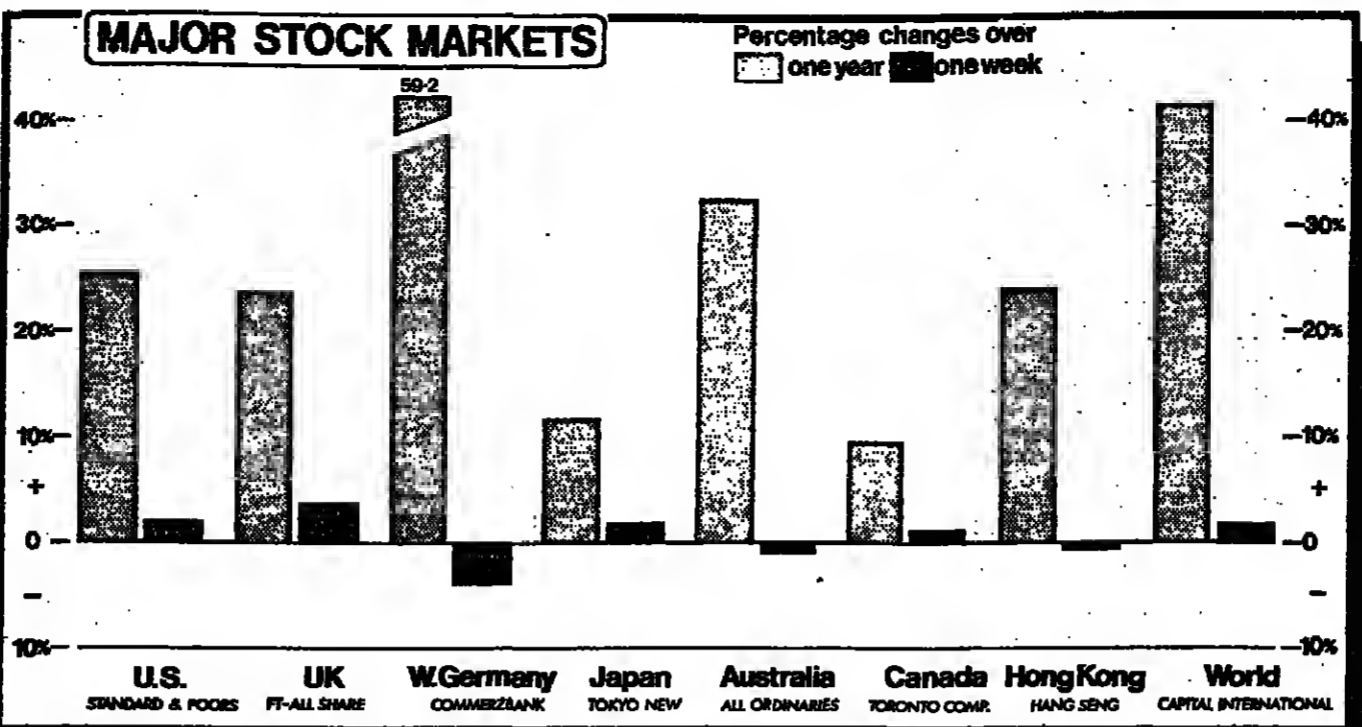
Short term interest rates have not fallen, which explains why US bank prime lending rates remain at 9.5 per cent, but this is not enough to derail the present rally. Investors who would not touch US Government paper when it was yielding 11 per cent are now falling over

est rates helped to keep their income on a steady course.

Market experts sense that the secondary market is ready for more strength now that Portugal is in the EEC. The economy is picking up and the authorities are more alert to the variety of possible financing instruments. After the introduction two years ago of cash bonds issued by banks (a modified form of negotiable certificates of deposit) they expect to see convertible bonds and certificates of deposit.

The latest development is the new "participation bond." This will enable the public to subscribe to what is half a fixed income bond and half an ordinary share earning a dividend. Only public sector concerns including nationalised banks, may issue this new hybrid, which is the first step towards opening the capital of public concerns to private investors. One of Portugal's more solid nationalised banks, the Banco Espirito Santo, is at the head of the queue of applicants for the issue of this new instrument.

After orderly growth of the bond market the authorities recently took steps to encourage the public to invest in shares and companies to go public, offering tax incentives and cheaper brokerage costs. A recent stock market mini-boom, that played havoc with share values due to heated demand for a modest supply of 24 quoted companies was a sign that the public was returning to the Praca do Comercio, where the 200-year-old market stands.



# Reform in the gambler's paradise

UNTIL forcible closure in 1974 the Lisbon stock exchange was not so much a market as a gambler's paradise. Shares were traded in the street from the back of station wagons, 600,000 people bought and sold stock in less than 200 companies as if they were handling chips at a casino, at a feverish pace that drove values to unrealistic heights.

When the 1974-75 crash came, after a coup that changed the regime and brought nationalisation of many of Portugal's major companies, thousands of bewildered holders of over-trading shares found that their pieces of paper were almost worthless. Compensation turned out to be a mere fraction of the level shares had reached before the market closed.

When the market reopened in 1977 under tight finance ministry supervision, only 23 companies were quoted. Small or institutional investors largely ignored the 18th-century building on a corner near the River Tagus. Shares stagnated for years until confidence slowly began to return.

The first stirrings on the reactivated market came not from shares in private enterprise but from public debt issues that increasingly attracted funds from institutional investors. As the public debt mounted, so did issues of Treasury bonds and bills. FS\$60m (\$80m) in 1978, FS\$190m (\$714m) in 1980, FS\$170m in 1982 and in 1985, the record amount of FS\$467m (\$2.8bn). Inflation-linked inter-

est rates helped to keep their income on a steady course.

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Legislation has now been introduced for unit trusts which will offer mixed stock and bond portfolios—with a chance to place up to 10 per cent of the portfolio on foreign stock exchanges. These are likely to induce more companies to offer shares after years of reluctance. Going public and accepting annual general meetings is hard for individualistic Portuguese proprietors wary of outside influence on company decisions.

Though the Lisbon market is small and just starting to consolidate, it has begun to attract the attention of international investors searching for diversification. Bank of Portugal authorisation is required for non-resident foreigners to acquire blocks of shares or other issues on the Lisbon market but the bureaucratic processes are not considered overwhelming by market experts.

The fact that foreign investors have begun to show serious interest in Lisbon in the last year is a seal of approval for an institution that a decade ago was shuttered after half a decade of frenzy. As a member of the EEC Portugal is adapting its capital markets to EEC recommendations, and preparing a new companies' code laying down minimum capital and other structural requirements. This would replace the code published in 1958 when business practices were a little different.

Its main problem when it comes to making money out of copper will be in keeping down production costs—the name of the game in mining generally in these days of low metal prices. Ok Tedi will make use of cheap hydro-electric power, but vast amounts of diesel fuel are needed for the huge earth-moving machines that short their way around the pit.

The fall in oil prices will thus be of great benefit and, indeed, must be making life easier for Bougainville where imported fuel oil accounts for about a quarter of total operating costs. In fact, the benefits of cheaper oil to open-pit operations generally may not have been fully appreciated.

This factor will be taken into consideration in the continuing studies of another mountain mineral deposit in Papua New Guinea. It is the Porgera gold prospect in Enga province where the three partners are Canada's Placer Development and Australia's MIM Holdings and Renison Goldfields Consolidated, each with a one-third stake.

For the most part, this is another open-pit proposition with ore reserves last put at 76.8m tonnes and grading an acceptable average of 3.8 grammes gold per tonne. Within this mineralisation there is much higher grade ore, notably a deeper-lying 1.7m tonnes holding a rich 40 grammes per tonne of gold; and the partners are now driving a tunnel into the side of the mountain to evaluate this high grade zone.

Meanwhile, Renison Goldfields Consolidated, which is 49 per cent-owned by London's Consolidated Gold Fields, has reported a further recovery in earnings for the first half of the year to June 30 and hopes to continue to do well in the second half.

Net operating profits for the past six months have risen to A\$10.2m (£4.9m), or 15.3 cents per share, from A\$3.6m a year ago when the second half produced profits of A\$9.1m. The company has resumed interim dividends with a payment of 5 cents; for the previous year there was a final dividend only of 10 cents.

The latest improvement reflects the strength of the market for the company's Australian mineral sands, exchange rate benefits, increased interest income, and the start of gold production in October of the 60 per cent-owned Pine Creek mine in the Northern Territory.

# Ok Tedi back on a stable course

DID YOU know that the biggest gold-producing mine in the non-communist world outside South Africa also contains huge deposits of copper? No, it is not the Rio Tinto-Zinc group's Bougainville operation in the steamy rain-soaked mountains of Papua New Guinea—but you are getting close.

It is the controversial \$180-plus Ok Tedi open-pit mine situated at Mount Fudian in the jungle-clad Star Mountains of that country, close to the Irian Jaya border. The gold production claim was made this week by Dick Carter a director of the operating company, Ok Tedi Mining, who says the mine is now turning out gold at the rate of about 700,000 oz a year.

Ok Tedi is controversial not only because of the technical problems that have been faced in working a giant open-pit operation in this remote area, where the annual rainfall can approach 400 inches, but also because of financial problems and friction between its partners.

They are Australia's Broken Hill Proprietary with 30 per cent, America's Standard Oil of Indiana (Amoco), also with 30 per cent, West German interests with 20 per cent, and the Papua New Guinea Government which has the remaining 20 per cent.

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## Mining

Fearing that the commercial partners were interested only in mining the gold, which forms a cap over the deposit, and were likely to leave the much-less-exciting copper for as long as possible, the Government temporarily closed down the operation last year, not long after it had been officially opened.

The stalemate was later overcome and mining of the gold cap commenced. Now, a revised agreement has been reached whereby the start of copper operations has been brought forward by some two years to about the end of 1988. Full capacity copper production is envisaged by the end of 1989 at an annual rate of around 158,000 tonnes.

The partners have also agreed to shoulder \$280m of the operating company's debt burden of around \$720m, thus allowing it to devote more of its cash to developing the project. So at last, it seems Ok Tedi is on course again and, given a little luck, might become one of the world's great mines.

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# Lloyds Bank

# 1985 Results

**The main features of 1985 were:**

- Higher profit, earnings per share and dividend; and a 1 for 2 scrip issue.
- A significant strengthening of our capital base.
- Strong performance in UK; Latin American exposure reduced in sterling terms.
- Continuing prudent approach to provisions for bad and doubtful debts, but write-offs down.
- The creation of Lloyds Merchant Bank, the sale of our investment in the Royal Bank of Scotland, and the merger of the clearing bank and Lloyds Bank International (1 January 1986).

"1985 was a year in which we significantly strengthened our capital base and reduced our relative exposure to international debt problems. The excellent results allow us to increase the dividend and we propose a further 1 for 2 scrip issue. We shall continue to push forward in 1986."

*Sir Jeremy Morse, Chairman of Lloyds Bank Plc*

LLOYDS BANK PLC  
FINANCIAL HIGHLIGHTS OF THE YEAR ENDING 31 DECEMBER 1985

	1985	1984	Increase
Profit Before Tax	£561m	£468m	20%
Profit After Tax	£331m	£237m	40%
Post-Tax Return on Average Total Assets	0.77%	0.55%	
Post-Tax Return on Average Equity	15.1%	12.1%	
Earnings Per Share	93p	65p	43%
Dividends Per Share	21.0p	17.7p	19%
Dividend Cover	4.4 times	3.7 times	

**Dividend**

The Directors of Lloyds Bank Plc have declared a final dividend for the year ended 31 December 1985 of 13.5p per share (1984: 11.4p adjusted for the one for two capitalisation issue in 1985), making a total for the year of 21.0p per share (1984: 17.7p). With the related tax credit this is equivalent to 30.0p per share (1984: 25.2p). The final dividend is payable on 4 April 1986 to shareholders registered on 12 March 1986.

**Proposed one for two scrip issue**

The Directors will recommend to shareholders at the Annual General Meeting the issue of one new fully paid ordinary £1 share for every two shares held. Subject to shareholders' approval, the new shares will be issued to holders on the register on 30 May 1986.

**Further information**

Further details of Lloyds Bank's 1985 results may be obtained from: Corporate Communications Division, Princess House, 152/156 Upper Thames Street, London EC4R 3UJ. Tel: 01-929 2777.

Lloyds Bank

**A THOROUGHbred AMONGST BANKS.**

Lloyds Bank Plc, 71 Lombard Street, London EC3P 3BS



MARKETS

Interest Rates

THE WORLD'S bond markets have been soaring. The halving of the oil price since last autumn appears finally to have persuaded investors that there is a good chance that the battle against inflation is being won.

under growing pressure to lower its short-term rates and a reduction in British borrowing costs in three or four weeks is a distinct possibility.

Economic and Social Research was predicting that the average inflation rate in the industrialised world would come down to just over 3 1/2 per cent this year and to less in 1987.

prices could yet regain at least some of their losses and the US Budget deficit remains a potentially destabilising force.

And the walls came tumbling down...

WHEN the chairman of the US Federal Reserve Board stands up in front of Congress, as he did earlier this week, and says there is evidence that investors' inflationary expectations may be exceeding at last, something special must have happened.

markets and surging bond prices. The yield on the long bond first crashed through the 10 per cent barrier in mid-November and dropped through the 9 per cent marker two weeks ago.



Mr Paul Volcker

Nevertheless, the dollar's decline has reduced the relative attractiveness of the US credit markets in terms of overall return to investors.

Typically, market watchers view a flattening of the yield curve as evidence that investors believe inflation will remain in check—or decline—and the economy will not be allowed to overheat.

prospects for reduced US government Budget deficits, the Fed's still-steady grip on the monetary reins—nonwithstanding the jump in M1, the basic US money supply measure.

Thus, aside from concern that a further sharp decline in the value of the dollar might push domestic US inflation back up from its January 4.1 per cent annual pace—a rate that has yet to reflect the early impact of falling oil prices—some Fed officials, including Mr Volcker, are clearly still worried that a precipitous collapse in the US currency might still lead to a drying up in investment demand for new US government paper.

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We admit that deciding which pensions company to go to is difficult. But remember that your choice can mean the difference between tightening your belt when you retire, or continuing to enjoy a high standard of living.

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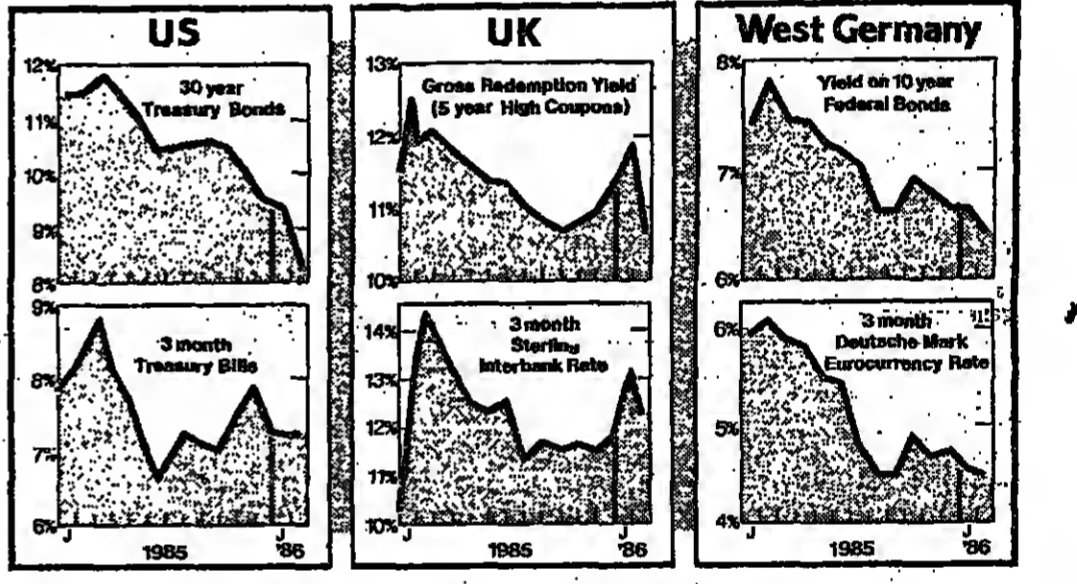
The Equitable Life You gain because we're different.

Pundits forget pessimism

MEMORIES in London's financial markets have never been shorter. Little more than a month ago, the well-heeled pundits at the City's major broking firms were falling over each other in a race to publicise their pessimistic predictions over the outlook for British interest rates.

terest rates to defend the pound. The Treasury kept its nerve, however, and a clutch of good statistics for foreign exchange reserves, the money supply and public borrowing, dispelled much of the market's gloom over the domestic outlook.

Returns on the London money market have, however, come down to around 12 1/2 per cent for three-month deposits from the high of nearly 14 per cent last month; while the shorter-dated gilt-edged securities favoured by most private investors are already discounting some reduction in base rates.



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Next, you must satisfy yourself you won't be pouring money, year after year, into a company which will pay out a fraction of what could have been achieved elsewhere.

Of course the past cannot guarantee the future, but you must be certain the company's policies have a record of delivering outstanding performance.

UNRIVALLED TRACK RECORD The Equitable Life. Number of 1st and 2nd places in surveys of 10 and 20 year with profits policies for the self-employed as published by Planned Savings magazine 1977-1985 inclusive. Our nearest rival.

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Handwritten Arabic text at the bottom of the page.



# Confidence returns to the West End

THE THEATRE has staged a revival in recent years. Thanks to a new generation of more dynamic proprietors and an influx of American tourists prepared to pay high prices for West End seats the theatre has handed itself out of the doldrums and in London at least, box office revenue is rising.



Two theatrical business expansion schemes surfaced last week. The Playhouse Theatre Company is asking investors for £1.4m, in an issue sponsored by Chancery Securities, to reopen a London theatre and to form a production company. Playhouse's directors have already invested £1.4m in the venture and have purchased the Playhouse Theatre on Northumberland Avenue. The Playhouse has been "dark" since 1951, although the BBC used it for radio recordings until the mid-1970s. The company plans to plough just under £1.3m into renovating and to reopen it in July next year.

which could transfer to the West End. The issue of up to 1.7m ordinary shares at 20p each is sponsored by Dartington. It opens on Monday and will close on April 4. Another unusual issue is that of Roweroft Hospice Shops, which aims to raise £400,000 to expand the charity shops which support the Roweroft Hospice for the terminally ill in South Devon. The hospice has two shops, which should contribute £50,000 to its resources this year. The hope is to raise around £175,000 a year by opening more shops. They are stocked with donated goods and run by volunteers. Investors will be entitled to an annual dividend of 4p per share, which will increase with inflation. The issue of up to 400,000 ordinary shares for 96p is sponsored by the accountants Reeves and Nylan, which structured a similar issue for the Purgis Hospice in Canterbury two years ago. In a more conventional issue, Honeyglan Assured Construction, which will operate as a deferred payment building contractor for residential property developers in London, plans to

generate £2.5m through a business expansion scheme sponsored by Chancery Securities. The issue will close on April 30. Honeyglan will work on small development projects of up to £750,000, for residential property developers in west and south-west London. The company assumes responsibility for the development — buying materials, employing staff, managing sites — in return for a deferred payment, whereby full payment is postponed until the project's completion. Each deferred payment will be secured by a legal charge or guarantee. Meanwhile Alliance Asset Management aims to raise £2m to expand its established Sussex estate agency into a national chain of "home centres", offering financial advice and services to home buyers and sellers. The issue, sponsored by Lancashire and Yorkshire Investment Management, is open indefinitely. Some £300,000 has already been received through a private placing of ordinary shares, and the company's executives have subscribed £50 for founders' shares which carry special rights.

Alice Rawsthorn

## Invest now, drink later

WHEN THE Business Expansion Scheme was introduced in a flurry of free marketeering fervour in 1983 the government's intention was to help young, technologically-inclined companies secure venture capital, boosting technology and generating jobs. Since then a stream of hotels, old people's homes, farms, theatres, art dealers and wine shippers have used the scheme. Some may have boosted technology and created jobs, but many have manipulated the scheme to raise capital which is ploughed into assets, often property. In successive budgets the Chancellor has weeded out such glaring abuses as investment in farms and pure property. In this year's budget he is expected to pounce on hotels, wine shippers, and possibly fine art and antiques dealers. The would-be hoteliers and wine shippers have anticipated this and have accelerated their issues to take advantage of the scheme before March 13. One issue, Saint Hotels, even presents itself to prospective

investors as "The last property-backed BES issue before the budget?". Saint Hotels plans to raise between £1.185m and £5m to establish a chain of hotels, to meet the demand for middle market accommodation in central London. The first, the Harrington Hall Hotel in South Kensington, should open in April next year. The company has already negotiated an agreement with the US tour operator Mill Run Tours, which has offered to fill 60 per cent of Harrington Hall's rooms and will invest £50,000 in the issue. The issue has been underwritten for the minimum of £1.185m by its sponsors, Johnson Fry, and will close on March 14, four days before the budget. The minimum subscription is £3,000. Another issue rushed through before the budget is Shaftesbury Vintners, which plans to raise £237,300 to expand its business as an importer and distributor of Australian wines. The issue, through Afor Investments, will close on March 6. It plans to

extend its Barri and Renamo ranges of wine, to introduce drought Australian wine to pubs and wine bars and to expand sales of own-label wines to multiple retailers. The Bristol Brandy Company proposes to raise between £225,000 and £487,500 in a Heseltine Moss-sponsored issue which will close on March 26. The company was founded in 1975 as a wine and spirit shipper, but over recent years has concentrated activities on spirits, specifically brandies. It plans to specialise in "early landed" brandies, very old French cognac and armagnac, but its interests will extend to a wide range of grape-based spirits and *coeur de vie*. Perhaps perversely, issues dealing with "secure" asset-backed ventures like hotels, and "indulgent" areas such as wine shipping have tended to find the most favour with investors. But neither fits into the high-tech, job-creating ethos that the Government had envisaged for the scheme.

A. R.

## Investment Trusts

FOR THOSE who want to make small monthly savings in a fund which invests in a wide spread of equities around the world, the shareholder saving scheme operated by the Foreign and Colonial Investment Trust has often been recommended on these pages.

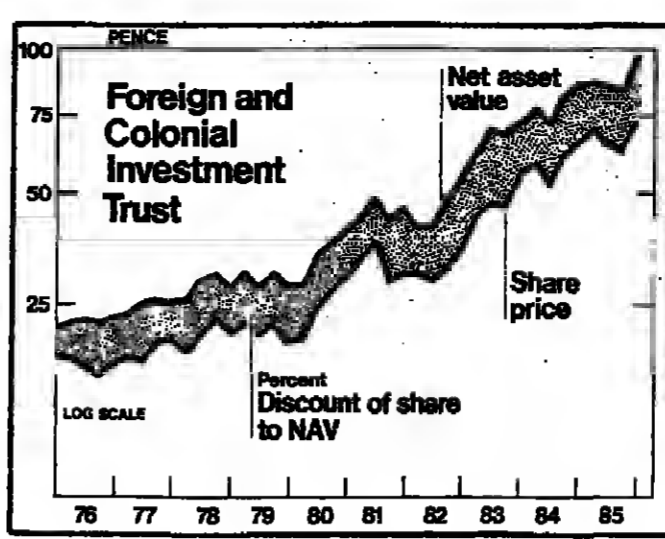
The Foreign and Colonial results for 1985 published this week, however, were poor, though no worse than those of most investment trusts. An investor would have fared better if he had invested in a broad spread of UK equities chosen at random.

Even over five years to the end of 1985, an initial investment of £1,000 (with net dividend income re-invested) in Foreign and Colonial would have yielded a final sum of only £2,651. By contrast, an investment which generated returns in line with the FT-All Share index, the broadest measure of the fortunes of the UK stock market, would have yielded a final sum of £2,794.

In 1985, Foreign and Colonial suffered from investing too heavily in the electronics sector both in the UK and Japan and too little in consumer stocks, which fared particularly well. It also failed to hedge sufficiently against the fall in the dollar, although it made up for some lost ground by moving strongly into European markets before the boom there got fully under way.

Despite Foreign and Colonial's difficulties, a large diversified investment trust remains the most cost-effective form of equity investment. And the management of Foreign and Colonial, which is the oldest and second largest of all investment trusts with net assets of £505m, has made a particular effort to make it easy for small investors to buy its shares.

Over the longer term the investment performance of investment trust managers has on average differed little from the performance of their



## Poor results can still pay off

counterparts managing unit trusts or unit-linked life assurance. And it would be futile to predict which type of pooled fund will perform better over the next five or ten years. There is another consideration however—the charges each type of fund makes on investors. Whatever route you take into the stock market, some of your initial investment will be eaten up in commissions and other charges to stockbrokers, jobbers and, most of all, to the salesmen of unit trusts and unit-linked life assurance. Investment trusts have a decisive advantage over these two since they have negligible marketing costs, and their annual investment management fees are substantially lower. Foreign and Colonial's annual charges come to only 0.26 per cent of net asset value compared with the 1 per cent

charge by most unit trusts. Until recently, it was widely assumed that the large investment trusts, which spread their investments over a range of sectors and countries, would be immune to a takeover because of their size. However, some of the recent takeover bids on the London stock market have been worth two or three times the value of the assets of even the two largest investment trusts, Foreign and Colonial and Globe. Ironically, because of the poor performance of investment trusts over the last year, they have become more vulnerable to predators. So even a poor performance by them can mean a good performance for you. Further details of the Foreign and Colonial savings scheme can be obtained by writing to the managers, 1, Laurence Pountney Hill, London EC4R 0BA.

Clive Wolman

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Prior to the issue, certain institutional and private investors have subscribed approximately £431,000 for shares. The minimum subscription has been underwritten by Electra Investment Trust P.L.C. and by Guidehouse Limited. As the Company has been trading for over 4 months, certificates for claiming BES tax relief should be available shortly after allotment.

The Offer will close as soon as the Offer is fully subscribed or at 3.00 p.m. on 14th April 1986 unless extended prior to that date. There will be an initial allotment on 17th March 1986.

Copies of the Prospectus, on the terms of which alone applications for shares may be made, may be obtained from either of the following addresses:

Guidehouse Limited, Ventry House, Greyfriars Passage, Newport Street, London EC1A 7BA Tel: 07-605 7001

Electra Management Services Limited, Temple Place, Victoria Embankment, London WC2R 2BP Tel: 01-240 8555

Please send me a copy of the Prospectus for Pleasureworld PLC.

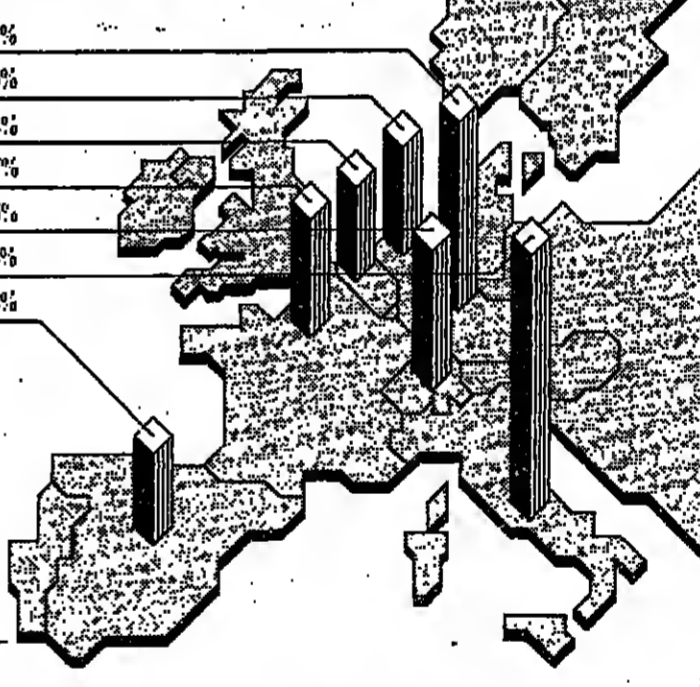
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Stockmarket Growth 1985

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General Information for Investors. Acknowledgement will be sent and certificates issued within 30 days. Unit prices and yield are published daily in leading national newspapers. Units can be sold back to the Managers at not less than the current bid price calculated in a formula approved by the Department of Trade and Industry. An initial management charge of 5.25% (on the assets (equivalent to 5% of the issue price) is included in the price of units and a service charge at an annual rate of 1% (+ VAT) of the value of the Trust is deducted from the Trust's gross income, although the Trust Deed allows a maximum annual charge of 2% (+ VAT). The Trust Deed permits investment in traded options and in second markets within the guidelines laid down by the Department of Trade and Industry. The Trust's income distribution date is 1st April in respect of the period ending 1st February. The first distribution is scheduled for 1st April 1987. Remuneration is payable to qualified intermediaries and rates are available on request. Trustees: Midland Bank Trust Company Limited, 119 Old Broad Street, London EC2M 1JQ. Managers: Britannia Unit Trust Managers Limited Telephone: 01-388 2777. Registered Office: 80 Coleridge Street, London EC2R 5AD. Member of The Unit Trust Association.

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(in full) \_\_\_\_\_  
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Postcode \_\_\_\_\_  
Signature \_\_\_\_\_ Date \_\_\_\_\_  
Please tick box if you are an existing Britannia unit holder.



# Investors Capital Trust

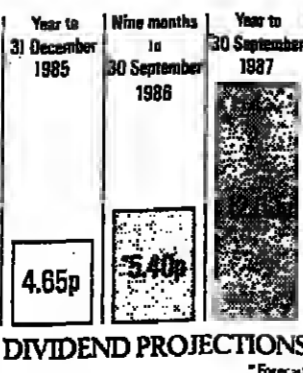
Number One



Charlotte Square

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- Forecast dividend for year to 30 September 1987-12p.
- Introduction of quarterly dividend payments, commencing June 1986.
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ONE CHARLOTTE SQUARE, EDINBURGH EH2 4DZ. TELEPHONE 031-225 1357.

To: Ivory & Sime plc, One Charlotte Square, Edinburgh EH2 4DZ. Please send me a copy of the 1985 Annual Report for Investors Capital Trust.

Name \_\_\_\_\_  
Address \_\_\_\_\_

FT



Company profits

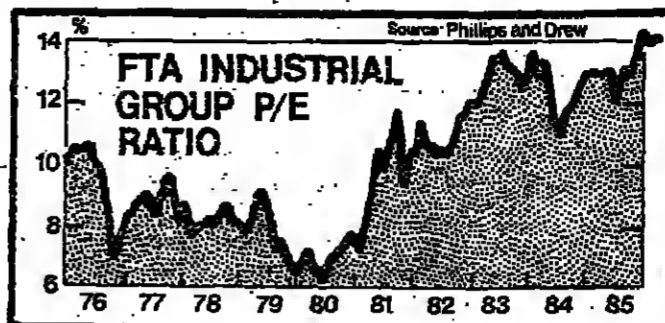
# Not yet in never-never land

THE CITY of London has gone completely mad. While the British economy shows only faltering growth, share prices boom ahead to new records every day. Feverish speculation is the daily order and England expects every man to get rich quick. It's like the South Sea Bubble — and the result will be the same.

Well, maybe. But this view of the present bull market misses one important point. The profitability of British industry — or, at any rate, of its survivors — has been transformed during the past few years, and the outlook is for further substantial growth in profits over the next 18 months or more.

Since the early 1980s, real average earnings in the UK have been rising more slowly than output per head — a result in large measure of the big shake-out in employment. The result has been that labour's share of the national income has fallen, and the main counterpart of this decline has been a rise in the share of profits. This is now higher than at any time since the early 1970s.

According to the National Institute Economic Review, published this week, profits of industrial and commercial



companies (excluding oil) represented 19.1 per cent of final output in 1981. By 1985 the proportion was up to 28.5 per cent, which is an enormous increase when expressed in terms of pennies per share.

This trend might now be set to change. Productivity growth is not what it was, and real earnings are rising, so a higher share of the national cake could go to labour. But the momentum of profits growth looks set to continue, and the prospect for most companies has been significantly improved by the fall in oil prices.

This brings a double benefit. First, it will contribute to a sharp fall in the cost of raw materials, which should more than offset the rise in labour costs. Second, the hulls argue, lower oil prices should have a

strongly positive impact on the level of world economic activity over the next couple of years.

Moreover, it looks as though the British Government has successfully resisted the pressure to push interest rates still higher to protect the pound. Add to this the benefit of a lower rate of sterling compared with key continental currencies, and the result is a potent brew so far as company profits are concerned.

Broker Phillips and Drew recently raised its forecast for industrial profits growth this year from 12 to 15 per cent, and some other forecasters go a good bit higher than that.

Looking further ahead, the optimists suggest that next year's Budget could produce the big tax cuts that were origin-

ally anticipated in 1986. And they hope that consumer spending will be rising briskly ahead of the general election which will by then be looming over the horizon.

On this basis, present share prices are not as outlandish as they might seem. On the basis of 1986 profits, the price earnings ratio for the market as a whole could be around 12, which would be comfortably within its range in recent years. And with the percentage annual increase in dividends running well into double figures, the gap between the yield on equities and the yield on gilt-edged stock should start to look a lot less daunting than it does at present.

Of course, things could go wrong. The oil market is highly unstable. The international banking system faces severe tests in the coming months. At home, the political scene might become more uncertain. Any deterioration in market sentiment could have a brutal impact on share prices, given the present level of speculative excitement. But although share prices are now discounting an awful lot of good news, they are not yet in never-never land.

Richard Lambert

Lucy Kellaway on new issues

## Behind the scenes at the ballot

YOU APPLY for shares in a hot new issue, and find that the rest of the world has done likewise. The shares are allocated by ballot. You are unlucky and end up with none.

If this sounds familiar, you may be wondering whether you are doing something wrong to be so consistently passed over. Would you increase your chances by getting your broker to apply for you? Or by sending the glossy prospectus form, rather than a scruffy piece of newspaper torn out of the paper? Would sending in your form on scented paper help?

Disappointed investors are good at finding conspiratorial reasons for being out. It only takes a hint that all is not right to attract a whole series of claims from investors that they have been unfairly discriminated against.

In the ballot for Wellcome shares last month there were many complaints that forms sent in early had been given preference over those delivered at the last minute. The Midland Bank, which was responsible for

the ballot, insists this didn't happen.

The Wellcome complaints at least raise the question. What goes on in the ballot? How is it actually done? Does someone stand over a mountain of applications with a blindfold fishing out forms like a lucky dip?

In the vast majority of cases ballots seem to be conducted with scrupulous fairness. All of the big four clearing banks claim that they have got their balloting down to such a fine art that there is nothing to be gained from modifying the timing or type of application, everyone has an equal chance of success.

As the forms begin to come in they are sorted according to the number of shares applied for, tied up into packages of 50 forms, and stacked neatly on racks in rooms containing nothing but rows and rows of shelves.

In the more successful issues a deluge of application forms comes in on the day the lists close and is sorted in the same way. When the counting is finished the merchant bank, in

conjunction with the client, decides on how best to distribute the shares. In privatisation issues a ballot is generally avoided, both in the interests of creating as many shareholders as possible, and to remove a politically unpopular element of chance from the procedure.

By contrast, nearly all heavily oversubscribed private sector issues will be balloted. It is expensive for companies to have extensive lists of private shareholders, and they may prefer to have their shares predominantly held by institutional investors rather than by individuals.

The merchant bank presents the basis of allocation to the receiving bank, whose responsibility it is to carry it out. Suppose that applicants for 100 shares will be decided by weighted ballot with a one in 25 chance of success. Each folder will be taken down from the rack, the piles of 50 forms will be laid face down on a long table, and two will be selected at random.

The successful forms are then

checked to make sure they have been filled in correctly. It seems that surprisingly few are done wrongly, to judge from the mere 50,000 rejects out of the 2m applications for shares in British Telecom.

The ballot is usually overseen by a notary, who provides a certificate to prove that it has been done properly. While banks are not obliged to use a notary, most do so as it protects them from the inevitable complaints from disappointed investors.

Neither the merchant bank handling the issue required by law to distribute shares by a fair ballot. New issue prospectuses contain a clause that allows the merchant bank to allocate the shares as it sees fit. There is nothing to stop it giving shares only to unmarried mothers or to people whose names begin with Q. "If the system was abused, the rules would have to be tightened up," says Marcus Aizus from Lazard Brothers, which handled the recent Britoil offer, "and so we all do our best to make sure it works properly."

## Open season declared on stags

THE GOVERNMENT would like to wipe out the stag in spite of its efforts, this breed of opportunist investor, who backs new issues with the sole purpose of making a quick profit, refuses to die.

The hallmark of the stag is the multiple applications that it showers on any attractive new issue. A serious stag will submit several hundred forms; indeed, one investor in Wellcome claimed to have put in as many as 1,500.

While they may be getting more prolific, stags do not seem to be becoming more sophisticated. The most naive put in multiple forms bearing identical names, addresses, bank accounts and signatures, while others use thinly disguised identities. The most efficient use a wide variety of bank accounts as well as different names and addresses, but even these cannot easily circumvent the problem of the signature.

If the stags have few water-

tight methods of disguising their applications, banks have equally few ways of hunting them down. Their processes seem haphazard and unscientific, with most of the detective work done by human hand and eye.

The banks' primary defence is the memories of its clerks who sort the forms, and try to spot repeated names, addresses and signatures. Clearly then, the better the forms are disguised, the greater the chances of them slipping through unnoticed.

But the banks say they have other means of spotting multiple applications which they guard jealously. "If I tell you how we do it, stags would be forewarned," said the head of the registrar's department in one large bank.

One of the main constraints is time. Given that the whole process of sorting and counting has to be done as quickly as possible, there is little scope for exhaustive cross-checking of

names and signatures.

While in most new issues this may not matter much, in government issues (where half the point of the exercise is to create as broad a base of shareholders as possible — it matters a great deal). The Government has threatened to prosecute multiple applicants in privatisation issues for fraud and has employed auditors to conduct careful searches for duplicates after the shares have been allocated.

This can take a long time — in the case of British Telecom, stags were still being sought out nearly a year after the initial flotation.

It is not just the forms submitted by the private investor that were picked through. Those put in by stockbrokers in nominee names were also subjected to close scrutiny. In cases where brokers had put in forms for almost all of their nominee account numbers, checks were made to establish that behind each nominee

account was a genuine investor.

Clearly such thorough examinations are not possible in an ordinary flotation. The quickest and most efficient way of catching stags, short of mounting an ex-post Telecom style search, is to vet the applications as they are delivered.

Most hardened stags put in forms by the suitcase load on the last day, so by intercepting each person as they hand in their forms the grosscast multiples can be rejected immediately. Anybody who keeps on joining the back of the queue to represent himself with another form is bound to be recognised before too long.

Kleinwort Benson implemented this system to some effect in the Laura Ashley issue. According to David Clementi, a Kleinwort director, "It's like the end of the London Marathon — you put the runners into a funnel and, by doing that, you don't lose them."

L. K.

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\*Executive pensions surveys benefits currently being paid from anti-trust policies taken out in 1978 (7 premises).

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performance improvements have been achieved. Harold Cudmore will be the Skipper of the 1987 British Challenge. He won the 1984 Australia Cup (the Australian Match Racing Championship) and recently skipped not only the top point-scoring yacht in the Admirals Cup but also the leading yacht in the winning British team for the Southern Cross Cup, two of the world's most important ocean racing events.

The Offer closes on 14th March, 1986. Copies of the prospectus offering shares for subscription in BACC may be obtained by telephoning 01-623 9333 (24 hour service) or by completing the coupon below.

This advertisement does not constitute an invitation to subscribe for shares.

To: Guinness Mahon & Co. Limited, 32 St. Mary at Hill, London EC3P 3AJ

Please send me \_\_\_\_\_ copies of the prospectus for British America's Cup Challenges PLC.

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Newcomers

# A wide and welcome choice

UNLESS YOU took the eccentric step of choosing the Throgmorton USM unit trust as your sole investment among this year's stock market newcomers, your 1985 track record will be looking adequate, almost irrespective of your selection.

It is not really surprising that, against a background of a sharply rising stock market, investors have welcomed new issues, with most of them now standing more than 10 per cent above their issue prices.

There has been a wide range of companies from which to choose, ranging in size from £6m to £1bn and occupied in making plastic boxes or parking meters, selling car parts, or doing oil investment advice. Asset backing has been as solid as buildings or as flimsy as unwritten contracts.

By far, the most successful new issue has also been the largest, Wellcome, the international blue chip drug company. When the issue was priced, few expected that within a couple of weeks it would be showing a profit of more than 40 per cent. But market conditions have been even kinder to Wellcome than to other issues—the whole chemicals

Company	Business	Issue price	% change
Brookmount	Irish property	160p	13
Klearfold	Plastic packaging	118p	8
Macro 4	Computer systems	105p	38
Microsystems	Parking meters	127p	6
PPL	Computer systems	145p	14
Really Useful	Musicals	330p	11
Spice	Car parts	80p	11
Templeton	Fund managers	215p	2
Throgmorton USM Trust	Investment trust	100p	-2
Wellcome	Drugs	126p	43
Wickes	DIY supermarket	140p	4

sector has been breaking successive high points, led forward by bubbling bid rumours.

One theme emerging among the latest new issues is the rehabilitation of electronics stocks. Even dreaded computer companies, which gave investors such a rough ride last year, seem popular again, partly because cautious sponsors have been pricing these issues on multiples that acknowledge last year's disasters.

Both of the most recent computer companies, PPL and Macro 4, have been well received. Macro 4 has done par-

ticularly well—the company is engaged in mainframe systems software, one of the few untarnished computer markets—as yet, anyway.

Of the poor performers, only Klearfold comes as a surprise. The company has a good product—a superior alternative to the blister pack in the form of a flexible plastic display box—and has a strong track record. Perhaps investors have shunned this company because of its American nationality.

Indeed, Templeton, the other foreign entrant, and the second largest issue so far this year,

hash also received a lukewarm response. Trading in the shares began at the end of the week at a small premium, although this was not unexpected: the US fund manager seems to have been rather greedily priced relative to its UK counterparts. However the price might bounce when the ban on US buying is lifted in about three months.

A strange feature of the new issue market this year seems to have been the modest number of US newcomers—only four compared with 10 in the first two months of last year. Some of these seem to be finding their way directly onto the main market: two of this year's main market entrants have been halfpint-sized—Klearfold was floated at about £15m while PPL was valued at about £9m, tiny for a full listing.

Meanwhile, the USM has been attracting some big companies with Wickes, the DIY retailer, valued at about £46m. The company chose the junior market because its Californian parent, Wickes Companies Incorporated, wanted to sell only 10 per cent of its shares.

Lucy Kellaway

# Vanguard A Double First!

For the second year running, Vanguard Trust Managers won the Observer "Small Unit Trust Group of the Year" Award. The average gain of our four funds was 36.7% — better than all other unit trusts groups.

We have also been awarded the Money Management "Small Unit Trust Management Group of the Year" Award for 1985. We were the only group, by their criteria, to have achieved 100% above-average performance over one and three years.

A contributory factor was the performance of Vanguard Special Situations Trust, the only Unit Trust to have been one of the ten best performing UK Growth funds over the last one, three, five and seven years.

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\*Money Management figures to 1st February 1986. Offer to bid, including net reinvested income.

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Vanguard Trust Managers is the wholly owned subsidiary of stockbrokers Capel-Cure Myers, one of the City's most quoted and authoritative sources on investment topics. They currently look after over £1 billion of funds on behalf of institutional, private and pension fund clients. Since 1985 they have been a member of the ANZ Group, a major international bank with a worldwide network of offices and with balance sheet footings exceeding US\$30 billion.

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To invest in this Trust, please complete this application form and send it to the Managers. For your guidance only, the offer price\* of units on 27th February 1986 was 89.0p per unit. The Estimated Current Gross Yield is 2.72%pa.

\*Offer price of units on 27 February 1986.

**Investment Objectives**  
The investment policy of this Trust is to provide capital growth from an actively managed portfolio consisting of shares of smaller companies and carefully selected special situations. These could be companies that have fallen on bad times, but are now turning round; they could be companies that look ripe for a take-over or perhaps companies with new, innovative products.

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Units can be sold back to the Managers at not less than the minimum bid price calculated on a formula approved by the Department of Trade. The Trust is authorised by the Department of Trade and constituted by a Deed dated March 1971 (as amended). An initial charge of 5% is included in the offer price of units, from which remuneration is payable to qualified intermediaries at rates available on request. The annual charge is set at 3% plus VAT of the value of the Trust as opposed to a maximum of 1% permitted in the Deed. This is deducted from the gross income and is allowed for in the current gross yield. Distributions will be paid twice yearly at the end of February and August.

Trustee: Royal Bank of Scotland plc, 23/27 Old Broad Street, London EC2.  
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**THE CO-OPERATIVE BANK**, pioneer of "free" banking, has taken the concept a stage further with the introduction of a new revolving credit (save and borrow) account which does not charge for any transactions. The new Free-flow account gives you automatic access to an overdraft

**THE BATTLE** to lend mortgage funds is hotting up with the major clearing banks taking the offensive. Lloyds led the way by abolishing its endowment premium for new borrowers and the other three—Barclays, Midland and NatWest—have this week gone one better in abolishing them for existing borrowers, too.

In the case of Barclays, which has been charging twice the premium of the others, the interest paid by borrowers will be cut by one full percentage point. All the clearers will now charge 13 per cent for endowment mortgages although on an APR basis their rates will vary slightly, Midland being the cheapest with 13.7 per cent.

The new rates came into effect immediately for Barclays borrowers, old and new, and for new ones at the Midland and National Westminster. Midland's existing borrowers will have to wait until April 1 but NatWest's will enjoy the benefit from today.

Lloyds continues to say it has no plans to help existing borrowers but it is unlikely to be able to resist the pressure from its main competitors. The

of up to £3,000 and pays you interest of 7 per cent net if the account is in credit.

To operate a new Freeflow account you decide how much you want transferred each month—a minimum of £20 and a maximum of £100. You then have instant access to an overdraft of 30 times this amount, so that a customer transferring £40 a month would have an immediate credit line of £1,200. The interest charge will be 2 per cent (26.8 per cent APR).

The account can be run with any bank's current account.

**BARCLAYS BANK** has set up a new financial planning service aimed at helping

Britons going to work overseas. Based in Jersey, the Expatriate Advisory Service will be available through the 37 UK area offices of the bank's trust company, in conjunction with local Barclay's Bank branches.

**MATRIX**, the long-awaited teller machines set up by seven top building societies, went into operation this week.

Three societies, the Anglia, Bradford and Bingley and Leeds Permanent, launched the system on Wednesday with 120 fully shared machines. The Woolwich Equitable will join the system later this month. Each society is to issue its own Matrix cards, which can

be used to withdraw up to £250 daily.

**SIR SPEEDY** Printing Centres is seeking to raise £2m under the Business Expansion Scheme, of which £300,000 has been underwritten by Montano Securities, the US securities dealer sponsoring the issue.

Sir Speedy has acquired the European franchise for a high street printing operation developed by a US company. Sir Speedy Inc, which runs 600 printing centres in North America.

The directors are projecting three years of start-up losses, with a £16m taxable profit on sales of £21.2m in the 12 months to September 1989.

Mortgages

## Banks take offensive

leading foreign banks in the market such as Citibank, Chemical Bank and United Bank of Kuwait abolished their endowment premiums a long time ago and have been attracting more and more clients.

Building societies will also have to bow to the inevitable and abandon their endowment premiums. Most major societies charge a 0.5 per cent premium above their repayment mortgage rate of 12.75 per cent. But the societies will be forced to do so, just as last year the major ones had to dismantle the differential system under which they charged more for larger mortgages.

As new entrants into the market, the foreign banks went for the top end of the market, by limiting their lending to large mortgages and, in some cases, introducing reverse differentials where a lower interest rate is charged for bigger loans. In doing so, they forced the

societies to move to a flat rate for all sizes of loans. The Bradford and Bingley is the only major society which still imposed differentials.

Endowment premiums are not the only weapon being used by the clearing banks to compete with building societies and other lenders for mortgage business. Midland took the most aggressive stance this week with a cut price package called Homeowner Plus which will be on offer over the next three months.

Any new borrowers who go to the Midland during this period will get a half percentage point cut in their mortgage rate for the first year and a £50 payment towards professional fees. This will not be limited to first time buyers. Those transferring mortgages to the Midland from another bank or building society will pay no valuation or legal charges.

Other incentives include an

interest- and commission-free Home Management Account to help even-out bills during the first 12 months of the mortgage. For house-hunters, Midland will also provide a mortgage certificate which guarantees funds will be available for three months.

Setting aside another £1m which it wants to lend for house buying, Midland will now extend mortgages on second homes and has scrapped its previous minimum limit of £15,000.

The other clearers are not offering quite such a good deal but have introduced additional sweeteners. NatWest has stopped charging now for pension mortgages and has increased the amount it will lend on a property from 80 per cent to 85 per cent for first time buyers (the same as Barclays) and to 90 per cent for other borrowers.

It will now also give loans of up to three times earnings, bringing it into line with Lloyds and the Midland. Barclays has limited its additional incentive to doubling the ceiling on its mortgages to £200,000.

Margaret Hughes

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On 26th February 1986 the offer price of income Units was 100p with an estimated gross current yield of 1.20% p.a. Accumulation Units 103.2p.

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Personal Financial Planning Service  Portfolio Management Service  
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# No real escape from the taxman

**RESIDENT** Abroad magazine estimates there are 2m British expatriates worldwide. Obviously, the desire to travel is in the nation's blood; a relic, perhaps, of the days of exploration and empire. But there might be more mundane reasons too—the greater rewards available overseas combined with a means of escape from the demands of the British Treasury, although the latter is not a foregone conclusion.

Short periods of work overseas, for example, do not now give rise to any tax relief at all. On the other hand, a person employed abroad during a "qualifying period" of absence exceeding 365 days (whether in a single tax year or not), and whose UK visits do not exceed 62 consecutive days (or one-sixth of the days in the period) will achieve exemption from British tax on his salary.

The need not to visit Britain for more than 62 consecutive days is easy enough to understand. Unfortunately, that cannot be said of the "one-sixth rule." The position must first be tested when there is a "sandwich" of absence/visit/absence. Further checks need to be made on a cumulative basis from the original date of departure for each additional visit/absence.

If at any time the total period spent in Britain amounts to more than one-sixth of the days since departure, the qualifying period is broken; and should it amount to fewer than 36 days, the earnings up to that point will be fully taxable.

By contrast, those who become non-resident in Britain, bring about a complete change in the basis of their liability to tax. This happens when the period of employment overseas exceeds a complete tax year (April 6 to April 5), and UK visits exceed neither six months in any one tax year nor three months on average. Once again, the self-employed are treated less favourably since they might have to satisfy a similar test over a three-year period.

Achievement of non-resident status signals immediate termination of British tax liability on all foreign income—not just the overseas earnings. But that is not true of income from many British sources which remain chargeable to tax—without the benefit of personal reliefs. Happily, there are exceptions to both these statements.

Non-residents are exempt from tax on income from certain holdings of gilts, UK deposit accounts and—with effect from April 6 1986—build-



ing society accounts, too. Furthermore, they do qualify for the usual allowances and reliefs in the broken year of departure, which often results in a refund of the tax deducted from any UK salary in the earlier period. Indeed, some expatriates retain the right under the MIRAS scheme, to deduct tax at 30 per cent from any mortgage interest they pay.

The benefits of non-residence from a capital gains tax point of view are even more marked than for income tax, since liability ceases altogether from the day that non-residence status begins, even in relation to British gains.

Indeed, once the status is achieved, many tax-planning opportunities beckon. The more obvious include investment of funds overseas with a view to generating exempt rather than UK-liable income, and realising otherwise chargeable capital gains whilst non-residence continues.

However, those expatriate families who retain a home for their use in Britain must take care not to overlook the fact that while the husband is non-resident, his wife might not be.

She will remain within the UK tax net in respect of any income and gains of her own for any tax year in which she visits Britain unless she has full-time overseas employment or a business.

Such separate treatment is not necessarily without advantage. On the contrary, the position could be improved if the available reliefs can be set off against UK income (eg, letting profits) which would otherwise have been taxed at a flat 30 per cent.

Non-residence, of itself, does not eliminate the expatriate's potential liability to capital transfer tax. Nothing less than a change of domicile, brought about by emigration will achieve that result. Consequently, in the great majority of cases the expatriate's escape from the British tax system is at best incomplete.

Donald Elkin

From Page 1

row could not make an investment. The depression was dispelled almost immediately by a meeting on November 23 at which two of its potential investors—Donald Main for THF and Foster for Bricom—got together for the first time. Highly provisional pledges of £2m each appear to have emerged from the meeting. On November 26, Shah met Sir Hector Laing, chairman of United Biscuits and a supporter of right-wing causes (he had recently helped to set up a fund for working miners). He said he could not help Shah himself but provided financial contacts in Scotland.

Shah had by now registered News UK as a company. The name is a conscious reference to News International, the company of Rupert Murdoch—the press baron of whom he is fondest—and models himself on most closely. Shah had also been in touch with a number of transport and distribution companies about possible distribution plans. He commissioned the Australian company TNT to do a full study; but when he discovered its indirect links with Murdoch (through shared ownership of Ansett Transport Industries) he pulled out. Despite his admiration for Murdoch, Shah had no illusions about their potential rivalry. Ironically, a year later, Murdoch used the same plan for his own alternative distribution network from Wapping.

On December 19—10 months after that first meeting in the Savoy—Shah met Andrew Neil again for lunch. There was a lot to tell him. Shah had earlier asked him if he would be his editor and, although attracted by the idea, Neil said he had not been at the Sunday Times long enough—only about 14 months at that point. While they were eating, Michael Heseltine, the Defence Secretary, came and sat at the next table and said a brief hello to Neil. He either did not recognise Shah or deliberately chose not to greet him. Shah's irritation at being, he believed, once again "snubbed" by the political establishment neatly pinpoints his schizophrenic attitude to power—at once refusing the traditional proprietor's mantle and yet seeking recognition.

In January, 1985, the last two major investors were hooked up. Shah was introduced to Angus Grossart of the Scottish Investment Trust and, on a tip-off from McWhirter, he had also started talking to the McAlpine building family. By the New Year, Shah had begun to think more seriously about phase two: ordering presses and equipment, looking for sites, editorial and advertising strategies. Through January and February he was shedding one group of advisers and acquiring another.

Those now on the scene included Brian Nicholson, 55, who had resigned as joint managing director of The Observer in October and Charles Wintour, 68, a former editor of the London Evening Standard and now editor of the journalists' trade magazine UK Press Gazette. Nicholson's contacts—especially in the advertising world—are superb.

A chubby, jovial man, Nicholson had been brought into the Shah camp by Dowson. He met Shah in London on January 31 1985, and was bowled over by his charm and exuberance. As with several other apparently hard-headed newspaper men, Shah appeared as a magnificent liberator. "I left that meeting feeling that everything I had hoped

# Shah's secret year

for could be about to happen," Nicholson remembers. "When I think of the crazy disproportionate time I have spent in union meetings over the past 20 years, it makes me want to cry sometimes. And here was Eddie—with such vitality and drive—I never doubted for a moment it could work. And I wanted to do everything I could to help."

Nicholson was in an excellent position to do so, not only arranging informal meetings with members of Fleet Street's advertising and editorial elite, but also more formally, through his job at the head-hunting firm Robin Marlar Associates. He immediately began looking for the senior editorial team for the paper.

In the final weeks of the "secret year," during the early part of 1985, Shah turned his attention to financing the four presses he initially planned to buy, easily the biggest single element in the start-up costs. They were looking for

The investors were obviously attracted by the potential profit—but for some the decision was prompted by political commitment.

a straightforward loan-financing agreement—but it proved difficult to find.

The rescue came from an improbable source. After 12 months of trudging around the capitalist City of London receiving generally noncommittal responses, Shah now secured his swiftest and most positive pledge from the communist Hungarian International Bank.

The bank—the London subsidiary of the Hungarian National Bank—had been suggested by Eric Tazzer of Pershke Price, the agents for German press manufacturer MAN Roland (whose presses Shah had already decided to buy). "It was an extreme piece of good fortune that we found them because it seemed unlikely that anyone else would be interested," says Templeton. Tim Newling, the very British managing director of the bank, also turned out to have links with Templeton's firm. After only two meetings, a provisional agreement was signed pledging the bank to raise—at the head of a consortium—about £5.5m to pay for the four presses; money that would then be paid back in instalments over five years. Shah had already paid £1.5m deposit.

The Hungarian deal tied the final strings in Shah's financial package. The formal celebrations to mark the signing of the equity deal began a little earlier, on the afternoon of February 19 1985,

when 25 men enjoyed a quiet drink together in the austere, modern City offices of Coward Chance. They raised their glasses to toast an agreement which had pledged 10 organisations to raise £5.5m to fund a new company—an ordinary enough deal by the standards of that neighbourhood.

Most of the businessmen, lawyers and accountants present seemed oblivious to the potential significance of the occasion—and they didn't exchange pleasantries for long before hurrying on to other meetings or back to their offices. As they stood briefly sipping their white wine, they might have reflected upon what an unusual corporate gathering this was. In one corner was George Proctor, senior legal officer of THF, one of the largest and best-known companies in the UK, chatting to Norris McWhirter's lawyer; THF had signed over £2m; McWhirter's company, Novel Press, had parted with £100,000. In another corner John Skeffington, the finance director of Bricom's £400m annual turnover, was saying goodbye to Chris Barton, the finance director of £45m turnover Ports-mouth and Sunderland. Bricom had committed £2m—PSN £1m.

The six other companies which signed along the dotted line that afternoon were: Ivory and Sime £2m; Scottish Investment Trust £1m; MacAlpine £1m; Richmond Investment Trust £1m; a company specially constructed by Templeton for some of Shah's friends, including Lord Harris and Brian Nicholson, to invest in the project) £80,000; and finally, Shah himself and the Messenger were putting in £250,000, £50,000 of which was Shah's own money.

The investors were obviously attracted by the potential profit—but for some the financial decision was prompted by political commitment. Irrespective of his own eclectic politics and the expected centrist stance of the paper, a part of the "corporate right" has been drawn to the romance of a project which represents so boldly the old-fashioned, free enterprise virtues. To them, Shah is to the national newspaper industry what Mrs Thatcher is to the wider body politic—an investigating attempt to shake off years of corporate compromise and decline.

Trust House Forte, Bricom and McAlpine are all well-known for their strong support of the Conservative Party. Some of the other investors are not so easy to pigeonhole politically. Ivory and Sime, Scottish Investment Trust and Candover are less interested in politics than in acceptable risk and reward. The presence of blue-chip THF and Bricom persuaded them to look at the figures—they appeared exciting—so they joined in. But this youthful and highly contemporary newspaper would not have been possible without the support of three elderly Tory peers: Lord Taylor, Lord Forte and Lord Cazyer, the chairman of Bricom.

The one man who had not taken a glass of the wine stood by the door saying goodbye to the investors. As he himself prepared to leave the office, he looked weary and felt the first tremors of another cathartic breakdown similar to that he had experienced at the end of Messenger dispute. Shah spent the next two days in his room at the Grosvenor House Hotel, alternately sleeping and sobbing uncontrollably.

Based on Eddie Shah and the Newspaper Revolution, by David Goodhart and Patrick Wintour, Coronet Books

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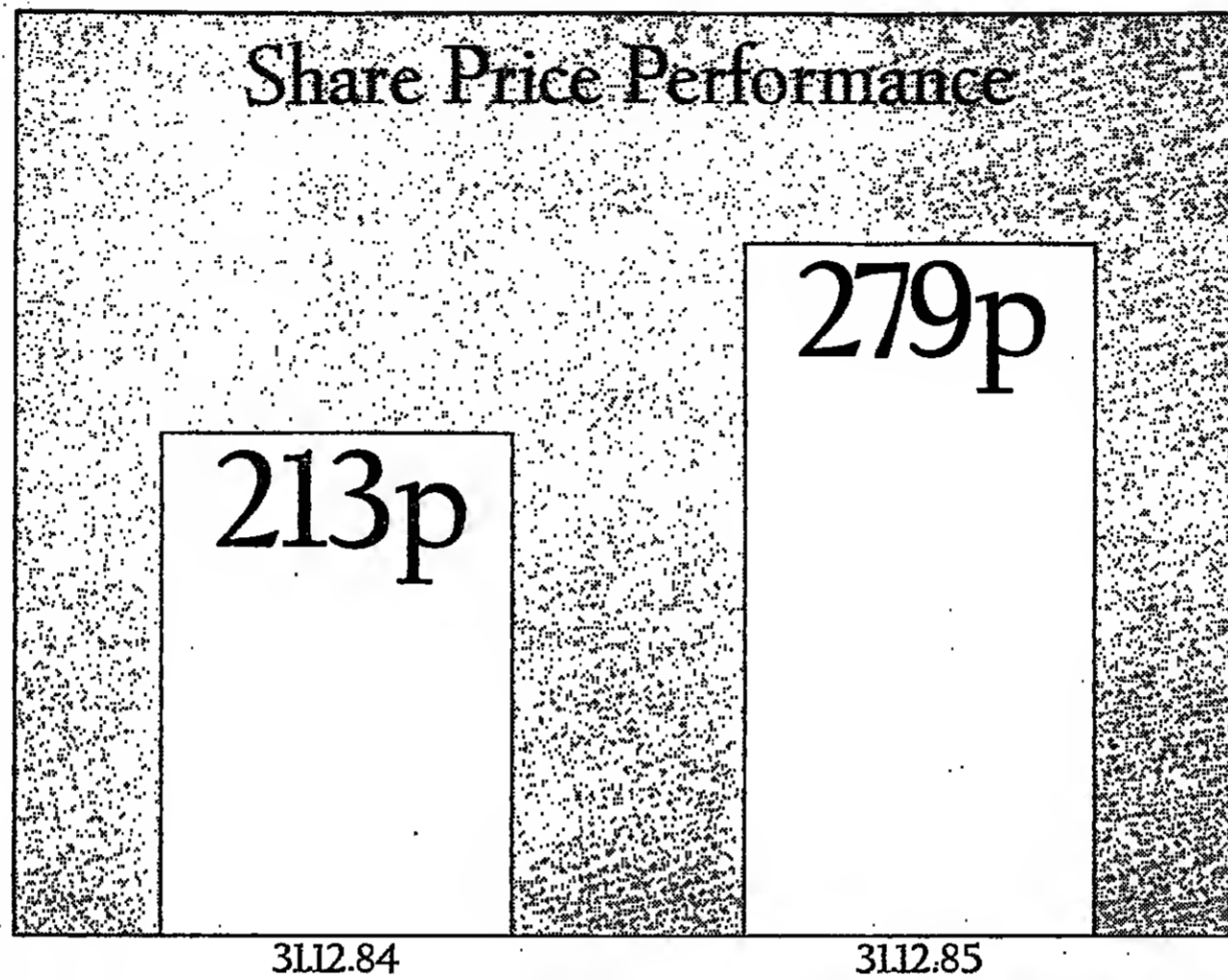
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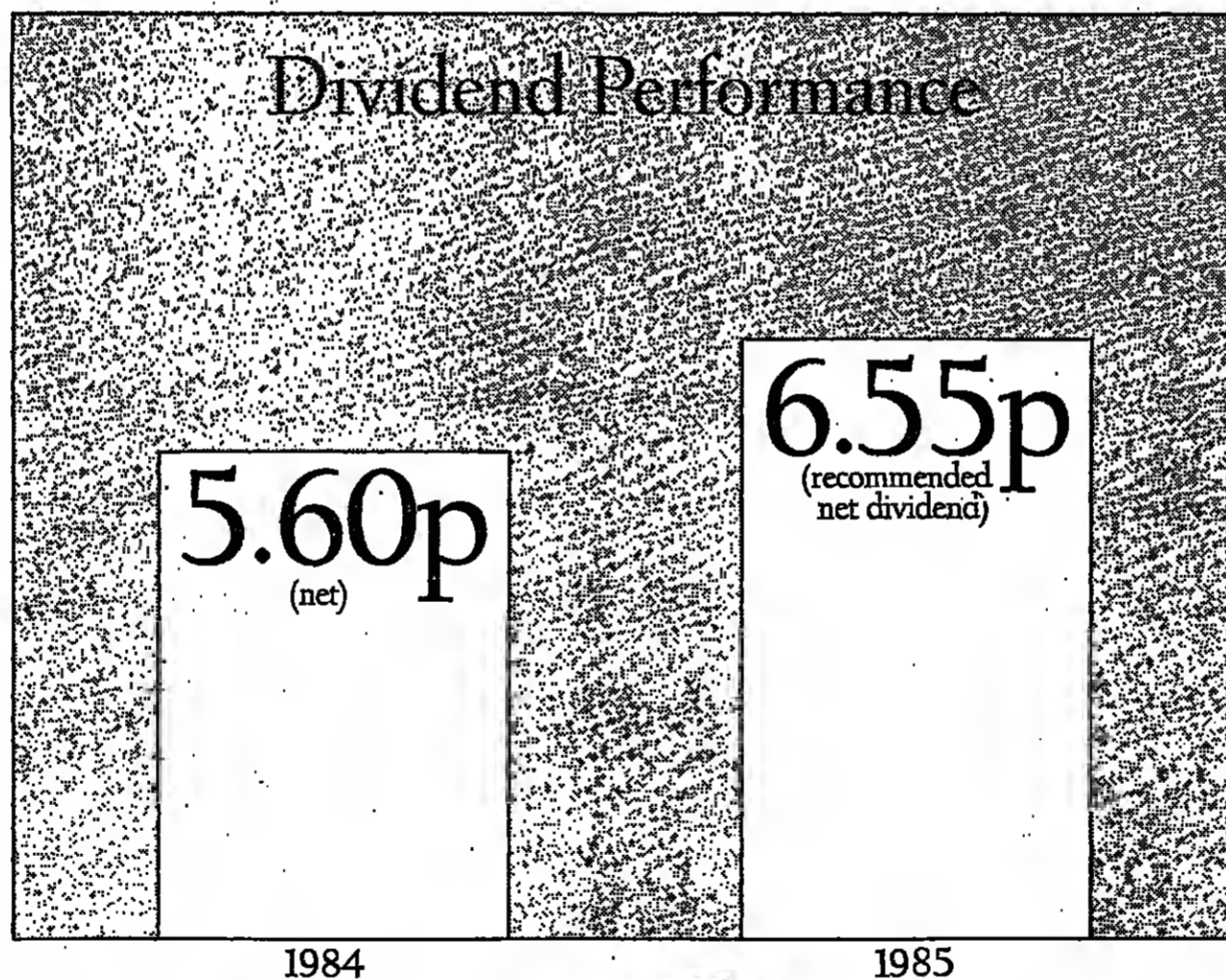
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31.12.85

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1984

1985

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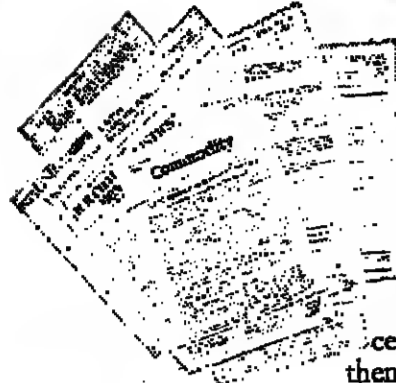
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\*Source: AITC statistical survey of share price performance with net income reinvested.



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Currencies

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<b>Main "Blue" Rates:</b>			
Yen/US\$	186.0	8.1	201
DM/US\$	2.36	23.6	1.65-2.59
Yen/DM	78.5	26.9	100
<b>European Cross Rates:</b>			
French franc/DM	3.07	9.4	3.36
French franc/Sterling	10.25	7.2	8.64-12.10
DM/Sterling	3.57	19.2	2.58-3.76
<b>Other "Mid Atlantic" Rates:</b>			
French franc/US\$	7.24	12.2	6.45
US\$/Sterling	1.42	0.7	1.43

Source: Amex Bank Review.

NO ONE imagines that there is such a thing as a "just" or "correct" share price for a quoted company: the price is dictated by the ebb and flow of the currents of fashion, the climate of confidence in the stock exchange. Nevertheless, we all like to create checks to put share prices in context. So we look at earnings ratios, dividend yields and net assets per share to get some sort of "feel" for a share price.

The same holds true for currencies. We know that a floating rate exchange rate system does not operate through a process of logic, but we still value some sort of context in which to judge an exchange rate. In business it would help to steer us towards exporting or purchasing opportunities; as private individuals, to steer clear of expensive holidays; or as investors, to pick likely winners and losers among companies with significant exports and imports.

Purchasing power parity, or PPP, is one such yardstick. As its name implies, PPP is the exchange rate at which a given amount of a currency will buy the same quantity of goods and services at home and in the foreign country in question. The PPP is not, except in the very long term, what an exchange rate "ought" to be: flows of savings are more important in determining exchange rates than flows of goods, so it is a poor forecasting tool. But PPPs do help us understand the impact of exchange rates on the real world.

For example, a year ago an unprecedented flow of savings from the low interest rates of Japan to the high interest rates of the US had pushed the dollar exchange rate up to ¥250. At this rate a small four-door saloon car which sold at \$7,500 in the US would cost ¥1.875m in Japan. Unfortunately for a would-be US car exporter such a car sold for only ¥1.25m in Japan. Result: Japanese car exporters could make an absolute killing in the US.

Today, as a result of an upheaval in the exchange markets, the US dollar has fallen to around ¥185—slightly below the best guesses at the current purchasing power parity of

# Real worth is so elusive

around Yen 200. True to form we find that the US dollar price of the Yen 1.35m Japanese saloon car has risen to around \$7,500—in other words the Japanese exporter is no longer selling so broadly, while Detroit is breathing easier.

How do you arrive at PPPs? Alas, this is a pretty subjective business. One approach is to choose a longish period some time in the past as a base and vary it by divergent inflation rates to get the "right" rate today. The problem is that the credentials of the base period are always suspect.

Another, intuitively more appealing, approach is to compare the prices of goods and services in each country and compute the exchange rate that will equalise them. The subjectiveness lies in what you choose. Take an eight ounce steak, for example. In the US steak is cheap. In Japan it sells at caviar-like prices. Steak would yield an eye-opening PPP.

The Amex Bank Review recently published a fairly rigorous analysis of the first sort. The bank's economics team got a computer to take every year since the start of floating exchange rates as a "base" year and then in apply inflation rate data to bring them up to date. This research yielded median PPPs and a range of divergence

around each of them. A selection is in the table above. On the basis of the Amex median rates the US dollar still has not fallen far enough against the D-Mark (DM 2.24 at the time of writing) to make US goods really competitive against West German ones. Equally, the recent weakness of sterling has helped Britain's competitiveness in Europe, but that rate has not come down sufficiently against European currencies to make entry into the fixed-rate European Monetary System painless for British industry. The rate of sterling against the D-Mark would have to come down another 15.2% per cent for PPP to be achieved.

The really striking thing about Amex's calculations is the dispersion of PPPs that it yields. What is needed is a rigorous attempt by the OECD to arrive at PPPs by the second route—that of direct comparison of representative prices in different countries. Such a study would be a real help to government in trying to advise targets for a more stable monetary system and in trying to understand and soothe trade relations. And it would help individuals to ward off or exploit the fierce currency rates that the markets generate.

Nicholas Colchester

Retirement ruling

## Implications for all

WHETHER you yearn to retire early or would desperately like to keep working and earning beyond the "compulsory" retirement, the European Court of Justice has just handed down a judgment of exceptional interest.

Although at first sight this looks to be a conundrum applying only to the public sector the implications for the private sector are profound as Government ministers and the Confederation of British Industry are anxiously aware. The judgment implies that the 1975 Sex Discrimination Act will have to be amended but, unlike the EEC directive, that Act cannot discriminate between men and women in the public and private sectors.

The problem of giving everybody the same retirement age is cost. A common retirement age of 60 would cost the Exchequer more than £2.5bn a year, comprising half way at 63 still costs an extra £500m a year. To avoid any extra costs would require all men and women to work until they were just over 64 which is no help to those who want to retire early, unfair on women who want to retire at 60 as at present and no help to men and women who want to keep on working as long as they are keen and able.

One idea, which would cover everybody's wishes in both public and private sectors would be flexible retirement within a "retirement decade". This would enable people to stop work when they wanted between the ages of 60 and 70 or 55 and 65.

One problem here is that if more people opted to work longer than to go early employment opportunities would be still further reduced, especially in times of high unemployment. And in sectors such as the civil service (where the common retirement age is already 60) the present logjam on the promotion ladder would become even worse if senior people could stay longer.

they refuse there is little they can do except follow Miss Marshall's footsteps to Luxembourg.

Although at first sight this looks to be a conundrum applying only to the public sector the implications for the private sector are profound as Government ministers and the Confederation of British Industry are anxiously aware. The judgment implies that the 1975 Sex Discrimination Act will have to be amended but, unlike the EEC directive, that Act cannot discriminate between men and women in the public and private sectors.

The immediate implication of the ruling is that whatever age is set for retirement for the 7m people working in the public sector it must apply equally to men and women. But the directive does not apply to pension arrangements where discrimination is permitted. So, if the retirement age were set at 65 women could work on for five years after they started collecting their state pension. If, however, the common retirement age were, say 62, men would be left for three years before they became eligible for the state pension.

The EEC directives are not usually legally binding although member states are expected to incorporate them in their national laws. As the legislative process grinds exceedingly slow men close to retirement will have to assume they must soldier on to 65. Women who want to work past 60 will be able to use the judgment to try to persuade reluctant public sector employers to let them stay. But if

Robin Panley

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The 66 competitors who travelled last weekend to Uppingham Community College, Rutland, ranged from the current British champion, Jonathan Speelman, to a 10-year-old making his master debut.

On the whole experience triumphs at ARC. 1986 was no different. After the start of the tournament, the leaders were grandmasters and international masters. GM Jim Plaskett ran out a clear winner of all six games, the first maximum total achieved at ARC. His opening preparation proved decisive in an all-GM game where Mestel's favourite Dracon Sicilian let him down again.

uniquely problem-like drawing mechanism when no fewer than six pawns to the had. White: J. Plaskett. Black: A. J. Mestel. Sicilian Defence, Dragon (ARC 1986).

1 P-K4, P-Q4; 2 N-KB3, P-Q3; 3 P-Q4, P-K4; 4 N-K3, N-KB3; 5 N-QB3, P-KN3; 6 B-N3, B-N2; 7 P-B3, Q-0; 8 Q-Q2, N-B3; 9 P-RN4, B-K3; 10 P-KR4, Amsd-Mestel, Lloyds Bank 1983, though that brought Black a rapid defeat.

10... Q-R4; 11 P-R5, N-KN; 12 BxN, Q-R1; 13 P-QR4, R-B3; 14 Q-0-0, KR-B1; 15 K-N1, P-QR3.

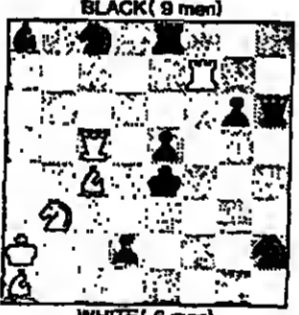
QxNP ch, K-K1 (or Q-K3; 33 R-N8 ch); 33 R-K1 wins the queen.

28 QxP ch, Q-R2; 29 QxP, Q-B4; 30 Q-N4, QxQ, 31 PxQ, P-B4; 32 R-N1, K-B2; 33 BxP, B-Q5; 34 R-N8, R-KB1.

White mates in two moves, against any defence (by M. Keller). When today's problem was published some years ago in Germany, dozens of readers claimed "no solution" while many more selected the wrong key move—so be careful!

Solution Page XIX

Leonard Barden



Problem No. 609

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If you had invested £1,000 in our UK Growth Trust on 1st October 1985, your holding would have a cash value now\* of £1,344.

That's impressive growth. So, we're celebrating.

On behalf of all the people who invested in our UK Growth Trust when it was launched, just over 5 months ago. And who now find themselves much richer.

To celebrate their success—and to make it even more worthwhile for you to join them now and share in the continuing fortunes of our UK Growth Trust, we are making a very special offer to people who invest £1,000 or more in it before 21st March. For details see opposite.

\*As at 26th February, 1986.

**YOUR APPLICATION**

To: Eagle Star Unit Managers Limited (LCC3) FREEPOST, Bath Road, Cheltenham, Glos. GL53 3BR

We wish to invest £ (minimum £500) in the Eagle Star UK Growth Trust. A cheque made payable to Eagle Star Unit Managers is enclosed.

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Postcode: \_\_\_\_\_

I am/We are over 18 years of age. If the holdings are to be in joint names, please give full names and addresses of the other joint holders (maximum of 3) on a separate sheet of paper.

Signature(s): \_\_\_\_\_  
Date: \_\_\_\_\_  
Name and address of Financial Adviser (if any): \_\_\_\_\_

Not available to residents of Eire. FT 1/3

**The Trust's Objective**

The aim of this Trust is to achieve higher than average capital growth by investing in the shares of a small number of carefully selected UK companies.

Approximately three-quarters of the Trust will usually be invested in "special situations"—which may include securities quoted on the Unlisted Securities Market, as well as the shares of companies just beginning to show growth potential.

All Eagle Star Unit Trusts are Rainbow Rated according to their risk/reward potential. The UK Growth Trust is rated Yellow—Medium Risk.

**Eagle Star Group**  
Eagle Star Unit Managers Limited  
Eagle Star House, Bath Road, Cheltenham, Glos GL53 3BR.  
The information contained in this advertisement is based upon Eagle Star's understanding of current law and is not intended as a recommendation.

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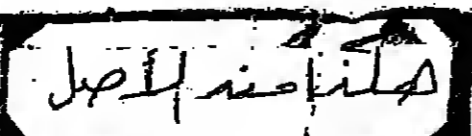
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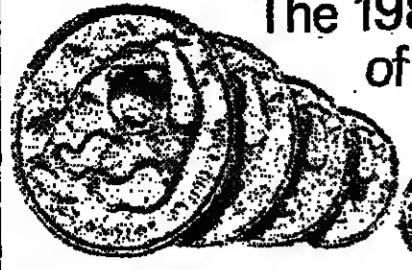
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For copies of the prospectus and application form please fill in the form below or phone 0272 20051.

Form with fields for Name, Address, and company details.

This advertisement does not constitute an offer to subscribe for shares which offer is only on the terms contained in the prospectus.

A question of truth

Although I have never received capital dishonestly, I was somewhat startled to gather on reading the 'Briefcase' column on January 25 that an inspector of taxes appears to be entitled to ask how an investor came by the funds to make his investment...

What would have happened had your correspondent declined to provide proof, or insisted that all the £20,000 arose from savings?

The reason why it is prudent to answer a tax inspector's enquiries about the source of windfalls etc (so long as the inspector is not acting from an excess of zeal) is to be found in section 29 (1) (b) of the Taxes Management Act 1970:

"(b) If it appears to the inspector that there are any profits in respect of which tax is chargeable and which have not been included in a return under Part II of this Act, or if the inspector is dissatisfied with any return under Part II of this Act, he may make an assessment to tax to the best of his judgment."

It is generally better to satisfy an inspector's reasonable curiosity than to have to dispute a section 29 (1) (b) assessment before the General or Special Commissioners.

Our cottage was built before 1820. The eastern wall of the cottage, which has no windows forms part of the boundary with our neighbours. The remaining portion of the eastern boundary being formed by the garden wall, belonging to us and where we now receive light and air to our garden.

In extending our cottage along this boundary, with planning permission, we wish to include a window, above eye level, in the new portion (where we now receive light and air to our garden). However, our neighbour is the local council (owners but not occupiers) and they require us to pay a licence fee, yearly, for the window under the Right of Light Act 1959.

Can a husband and wife be resident and ordinarily resident in different countries? The facts are as follows: My wife has dual French and US nationality by birth. She was born in 1930 and has lived with me in England since our marriage in 1982. She owns a house and some land in France in which I have no interest. She has a half share in our house in England. For 12 years she has exported antiques from England to France, at first as a wholesaler and then for ten years through her own shop run during the season in a French spa. Since I retired in 1982 she has spent at least seven months of the year in France and comes back largely to buy stock being part of our English house for office space and storage. At the moment she is treated by the Inland Revenue as being resident in England and by the French Revenue as being resident in France. It would be much simpler for us if she was regarded as a French resident as this would mean we only had to comply with the requirements of one income tax system and she is more at home with French procedures. She is registered for VAT in the UK and her shop is registered in France for French VAT. She submits accounts to the Inland Revenue but is taxed under the regime for aliens in France. All tax matters are dealt with by local provincial offices on both sides.

If in your opinion she is resident in France or if steps can be taken to achieve this how does one proceed with the Inland Revenue and can the arrangements be back dated to 1982?

A husband and wife can indeed have different residential status under UK tax law, even if they have never spent a night apart. Many wives of non-resident men are themselves resident in the UK, despite the fact that they spend all their time together; tax laws are quite arbitrary. You do not say where your wife



is domiciled (under English law). Presumably her domicile of origin (her father's domicile at the time of her birth) is in one of the States of the USA or in France, but we cannot tell from the bare facts outlined. Have you submitted your UK tax returns on the special forms (11K) for men whose wives are domiciled outside the UK?

For the purposes of the France-UK double taxation agreement, your wife may well be treated as resident in the UK only, by virtue of article 3 (2), but again we cannot tell from the limited data you provided. Surely it is worth the expense of seeking an accountant's guidance through the double taxation maze.

Article 24 (c) of the double taxation agreement says that a resident of the UK who maintains a house in France must not be taxed in France on imputed income based on the rental value of the house.

Recently I started working for a Norwegian firm and since I work offshore and am paid from the Oslo Office, Norwegian Seaman's Tax is deducted from my salary. The remainder is paid into my account in the UK. This tax is approximately 17 per cent of my gross salary and I was wondering whether the Inland Revenue will sometimes request some money to make me up to the 30 per cent tax bracket. I wrote in the Inland Revenue last August explaining all but had no reply yet. I understand that there is some agreement between Norway and the UK regarding non dual taxing but should I keep some of my net salary from Norway in case the Inland Revenue ask for their share?

A new double taxation agreement with Norway was signed on October 3, last year, and it entered into force on December 20. On the bare facts outlined, it looks as though paragraph 10 of article 23 applies to you: namely, salaries, wages and similar remuneration derived by a resident of a Contracting State in respect of an employment connected with offshore activities in the other Contracting State shall, in the extent that the duties are performed offshore in that other State, be taxable only in that other State.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Taxation The bane in Spain



TAX IS no simple matter when you move to Spain, and many British people do. Spain is Britain's favourite retirement resort; and the temporary home for employees and subsidiaries of at least 180 major British companies.

Spain's membership of the EEC, which started officially on January 1, is expected to attract more companies from European countries, including Britain.

Against this background the Spanish taxation system is undergoing major reforms. These include reductions in income tax for low and medium level wage earners, changes in family taxation, and improvements in the benefits system. And as a precondition for EEC membership, on January 1, Spain introduced VAT, replacing its turnover tax.

Taxation in Spain can escape the attention of British expatriates and pensioners-in-residence. More concerned with the sun on the Costa del Sol, they fail to realise that their lump sum pension, which they assume is comfortably accumulating in an offshore fund, is in fact taxable by the Spanish authorities.

Adam Phillipot, manager at Employment Conditions Abroad, a London-based company advisory agency, warns against underestimating its scope: "Many British going to Spain are so naive about taxation there."

Spain charges a foreign resident income tax on his or her worldwide income as well as imposing a wealth tax, capital gains tax, and taxes on specific assets such as property, inheritance and gifts. "Resident" means living in Spain for over 183 days a year. "Spanish" "income tax" covers your salary, living allowances, bonuses, tax reimbursements, overseas and offshore investments - except those in the UK. It includes withholding tax on earned income (between 1 and 33 per cent, depending on the income level) and on investment income (18 per cent).

Spain charges a wealth tax on foreign residents whose assets exceed 4 million pesetas (£17,897) although individuals are given set-off allowances up to 6 million pesetas and a married couple up to 9 million pesetas, with a deduction of 750,000 pesetas for each child under 25 and double for each disabled child. "Assets" include property, car, bank account. The wealth tax payable is 0.2 per cent of net assets up to 2 million pesetas.

Capital gains are generally included as taxable income; a "capital gains tax" of sorts, applies in Spain and usually covers the sale property. According to accountants Price Waterhouse, a gain made in this way is taxed as irregular income and may be spread over the years in which it arose to determine the correct rate of tax.

Capital gains from the sale of fixed assets used for business purposes are tax-exempt if the total gains are reinvested in similar assets. The capital gain from the sale of your home in Spain is exempt up to a limit of 15 million pesetas if the total sum is reinvested in a new home.

If you rent or sub-let a property in Spain the amount received from the tenant or sub-tenant is included in your taxable income. If you are an owner/occupier, 3 per cent of the value of the property would be regarded as taxable income, and this increases to 10 per cent if you own more than three properties and any of them remain unoccupied for more than 10 months. Assets passed on, following the death of their owner, are subject, under Spanish law, to inheritance and gift tax similar to though rather more complex than Britain's Capital Transfer Tax. (There are, for instance, seven different categories of beneficiary in assessing gift tax in Spain). It means, though, that a widow would face a tax bill of 1.85 million pesetas (£8,325) on an inherited house worth 15 million pesetas (£67,600) if the house was registered in the husband's name. However, possible to change from single to double ownership. TFL Advisory Services, a UK investment management company with Spanish interests, says it is legal to register the property in the name of a foreign company "provided the Spanish authorities acknowledge the existence of the company as a legal entity". Some UK companies with employees in Spain have devised elaborate strategies to avoid tax. By sending employees to and from Spain for less than six months (183 days) on a rotating basis, a company may remain free of local tax because its employees never achieve "resident" status. But this is complex, difficult to administer, and dubious - although there are cases of a multinational rotating employee - on projects around the world every three months to avoid tax in every country. Spanish tax regulations are expected to become more compatible with others in Europe as Spain settles into the EEC. However, there was a moment recently when the whole headache vanished: by mistake Spain's Parliament abolished all taxes for 1986, during a budget debate. But the error was noticed and corrected half an hour later.

Paul Ham

THE BUSINESS CONNECTION

COMPANIES WANTED: Medium/Low Techology company sought for recruitment of active equity investment by a private investor with extensive experience of the electronics and instrumentation industry...

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£50,000 FIXED TERM DEPOSIT 16.72% per annum. Paid gross. Deposits secured. Interest fixed. Interest may be drawn monthly, half yearly, annually, £100,000 max deposit. Min term 3 years, max 5 years. £1m only in February. Other offers available. Enquiries from brokers, financial advisers, pension fund managers, etc. are welcome.

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CAPITAL AVAILABLE: Looking for qualified Fund Managers with a proven track record, trading in Commodities, Stocks, Foreign Exchange or Bonds. Please reply in confidence to: The Managing Director, EDWIN DOUGLAS LIMITED, Ames House, 6 Duke Street, London SW1

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Executive and Non-Executive: If you need to arrest a deteriorating situation, improve the performance of your company, or strengthen your Board with a Non-Executive Director with top level background in industry and banking, please send for brochure "What exactly is a Company Doctor?" All enquiries treated in absolute confidence. Please write to The Chairman, 36 Ivrea Gardens, London W8 6TW

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EXECUTIVE/NON-EXECUTIVE ASSISTANCE: Established Businesses with extensive international experience and connections, particularly in North America, would undertake a short term specific assignment or board membership.

ACCOUNTANTS: Going solo needn't mean going it alone. That's exactly what former Chartered Accountant of Barnes, North London discovered when he joined the RBS Associates scheme and set up his own accountancy practice.

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ESTABLISHED TRAINER: has for sale horse with form to win at Cheltenham. Realistic prices. 01-906 0916 Ref: IDH deytme 01-906 0597 evenings and weekend

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OFFSHORE & UK Companies: Incorporation and management in UK, Isle of Man, Channel Islands, Jersey, Panama, Liberia, Gibraltar, Hong Kong, etc. Donorship and nominee services.

PROPERTY OVERSEAS FOR SALE: FRANCE. Develop a man/Conversion. Loire area 2.8 acres with 4 substantial buildings. Planning 14 Houses. Grants available. 50% potential profit on capital investment. £120,000 FRESHLOO. M&A THUR & COMPANY. TEL: 01-635 3000

BUSINESS FOR SALE: Profitable well established industrial plant fabrication company manufacturing custom made tanks and vessels etc, located Surrey, Berks border with leasehold factory. Ample scope for further expansion. Sale due to impending retirement. Write Box H0633, Financial Times, 10 Cannon St, London EC4P 4BY

BUSINESS EXPANSION SCHEME

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Consortium of European investors wishes to acquire MAJORITY SHAREHOLDING IN COMPUTER SOFTWARE HOUSE OR ELECTRONICS GROUP. Turnover: £200,000 to £2m. Please write with full details to: Box H0633, Financial Times, 10 Cannon St, London EC4P 4BY

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Medium sized. Preferably all en-suite. Within an hour's driving time of the West End of London. Write in detail to: Box H0633, Financial Times, 10 Cannon St, London EC4P 4BY

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Contact: J. Ellis, 5/7 New Street, London EC2M 4TP. Telephone: 01-283 8622

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The company's main business is the dismantling of telephones and reclamation of scrap material including plastic and precious metals. In particular the company has enjoyed the benefit of a substantial contract yielding very considerable volumes of telephones from one source.

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For further information please contact the joint liquidators: Barry C. Mitchell or Peter L. Davies. PEAT MARWICK MITCHELL & CO. Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE. Telephone: (0222) 462463 - Telex: 477987

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Profitable well established industrial plant fabrication company manufacturing custom made tanks and vessels etc, located Surrey, Berks border with leasehold factory. Ample scope for further expansion. Sale due to impending retirement. Write Box H0633, Financial Times, 10 Cannon St, London EC4P 4BY

URGENTLY WANTED: Kruggerands, Maple Hill, 10, Cannon Street, London EC4P 4BY. 01-726 6248



Banking

# Even the top people get the same basic service

If you are fed up with the queues and impersonal service offered by ordinary high street banking, you might consider opening an account at one of the top people's banks. An exclusive and personal service is guaranteed and you do not have to be immensely rich.

The up-market banks do not advertise for customers. It almost seems had taste to tout for business. Indeed there are those that see themselves as so exclusive that they wait for customers to come to them. Others feel it would be a contradiction to add too many new accounts to their elite band of account holders.

But however tempting the free snuff, quill pens and elegant Victorian banking halls be warned that with few exceptions, the basic financial services offered at the up-market establishments like Coutts, C. Hoare, Drummonds and Childs are just the same as you would get at the ordinary clearing banks.

But what the deluxe banks have in common is that the way in which the financial services are executed—the personal style of service—is quite different from an ordinary high street bank.

For example, a monthly bank statement at Coutts and C. Hoare fully details the names of people or places involved in each transaction. But such extra services are balanced by the financial qualifications expected of account holders.

Coutts in London's Strand, bankers to the Royal Family since the reign of George III, is possibly the smartest of them all even though it is owned by the less exclusive Nat West Bank. In order to join the top people's bank you must earn around £30,000 or have "reasonably substantial" assets.

To avoid bank charges on a current account you must keep an average balance of £1,000. Otherwise the cost is £10 a quarter plus 30p each entry above 40 entries in a single



quarter. Students get free banking as long as they stay in credit.

If you are keen to open an account at C. Hoare, which has been at the same site in Fleet Street since 1672, then you must be recommended by an existing customer or have a family connection. Most customers are members of the landed gentry or live overseas, although the bank also serves the community of lawyers nearby.

Current account customers must keep an average of £500 in credit to avoid bank charges of 25p per entry and £2 per quarter per account.

Banking is free as long as you stay in credit at the Royal Bank of Scotland's three up-market banks Childs, Drummonds and Hoare. They do not demand any specific requirements from customers.

Childs is the oldest—it was founded in 1594. Drummonds goes back to 1717 and snuff, quill pens and buttons in frock coats are as much a part of the present as they were of the past. Hoare is the smallest and youngest of the three. Banking began there in 1809 and traditionally it has always dealt with the armed services.

In direct contrast to this, Lloyds and Midland's bank accounts for the wealthy have been going for barely three months. In both cases £250,000 in liquid assets to qualify for an account. In return you get

a full range of the banking and trust services plus your own personal account executive.

There are no banking charges as long as the current account is kept in credit but both charge a similar fee of one per cent on trust branch services like portfolio management and investment advice.

Lloyds and Midland expect that their respective Pall Mall and Mayfair branches will have special appeal to foreign customers in London.

As far as investment advice and management go at the traditional up market banks, it is difficult to pin down precise charges.

Coutts would look for a portfolio worth about £75,000 and they would charge £750 a year. Hoare and Childs do not have a fixed charge for investment management and say that rates are individually set.

At Duncan Lawrie, where you must have a personal introduction in order to join the bank, investment management and current account charges are subject to negotiation.

Apart from impressing friends with the elegant copper-plate lettering on your Coutts cheque book, all seem to agree that top people's banks highest appeal seems to be the personal style of the service offered. But you certainly pay for it!

Kate Rankine

## Paying for the personal touch

THE decision by Lloyds Bank to open a de luxe branch where customers can get a personal service, shows just how much the "high street" banks have changed since I joined one 30 years ago. One big difference is that in the old days you did not have to have liquid assets of £250,000 to receive this attention.

These days you are encouraged to draw your money from a machine rather than from a real live cashier and to obtain a so-called personal loan you simply complete a form and the decision is made on a points basis. There is no need to meet the manager; the terms are the same in Brighton as in Blackpool. But then personal loans

are a fairly recent innovation: there was a time when you were offered an overdraft or a loan at personal rates.

We used to calculate the service charges on a very personal basis. There was no question of charging 25p per entry and allowing 3 per cent notional interest. The manager, sat in a corner of the office and called out the name of each account in turn. He made a quick guess at the average balance and the amount of work involved and further information was then welcomed from any member of the staff.

For example, the cashier might call: "Winthrop is a cantankerous old buzzard. He

always demands new banknotes and when I haven't got any he raps his fist on the counter in temper." Winthrop's bad temper would cost him an extra guinea. Accounts were handwritten and kept in thick ledgers. Helpful notes were written in red ink at the top of each account such as "Known the wife of the general manager — do not charge" or "Care Actor. No overdraft."

Not everyone wants personal service, just easy access to one's money. Nevertheless, there must be a demand for the kind of branch where customers are cosseted. I wish I could afford it.

Harold Baldwin

This advertisement is not an invitation to subscribe for or purchase any Shares which can only be done on the terms contained in the Prospectus.



The Playhouse Theatre Company PLC  
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Investors in the Company are offered:

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- ★ Investor benefits (for those holding 2,500 shares or more) including priority first night bookings and the opportunity to attend first night parties.
- ★ Income Tax relief of up to 60%. Provisional BES tax approval has been obtained.
- ★ Profits of about £425,000 before tax in the third year, according to illustrative profit projections (which do not constitute a profit forecast).
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**NEW GILT AND FIXED INTEREST INCOME TRUST**  
The Trust aims to produce a high return combining both income and capital growth from an actively managed portfolio of British Government securities and other fixed interest securities. While gilt will be the principal form of investment, other good quality sterling fixed interest stocks will be considered. Stocks will be chosen to provide a high total return after tax, and by adopting an active policy of switching between different maturity groups to benefit from changes in the shape of the yield curve, these returns should be enhanced. Estimated gross initial yield: 10.0%. Distribution 15th August.

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# Homes for happy families in the year 2000

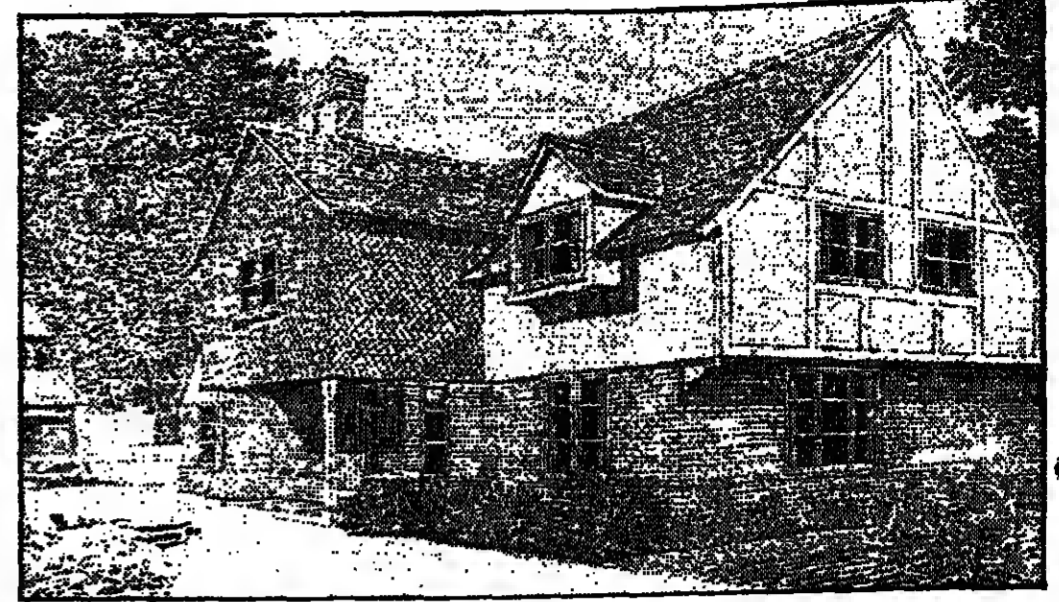
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Above left: Wimpey mock-Tudor showhouse complex at the Ideal Home Exhibition.

Above right: Potton timber-frame Tudor-style house.

Right: model of House 2000 at the Exhibition.

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MOCK-TUDOR, Canadian log-cabin or a "House 2000" might answer your dreams. Picture-book gardens or contemporary art might appeal more. All are in the Daily Mail Ideal Home Exhibition which opens on Tuesday at London's Earls Court until March 31.

The design of the show houses is nothing earth-shattering, but this annual home buyers' jamboree is meant as a guide to what is on offer, not a sophisticated message for modern movements.

In spite of its title, House 2000 is built on traditional lines. The architects maintain, quite

Art in the Home: exhibits from the Ideal Home Exhibition—see Page XVII.

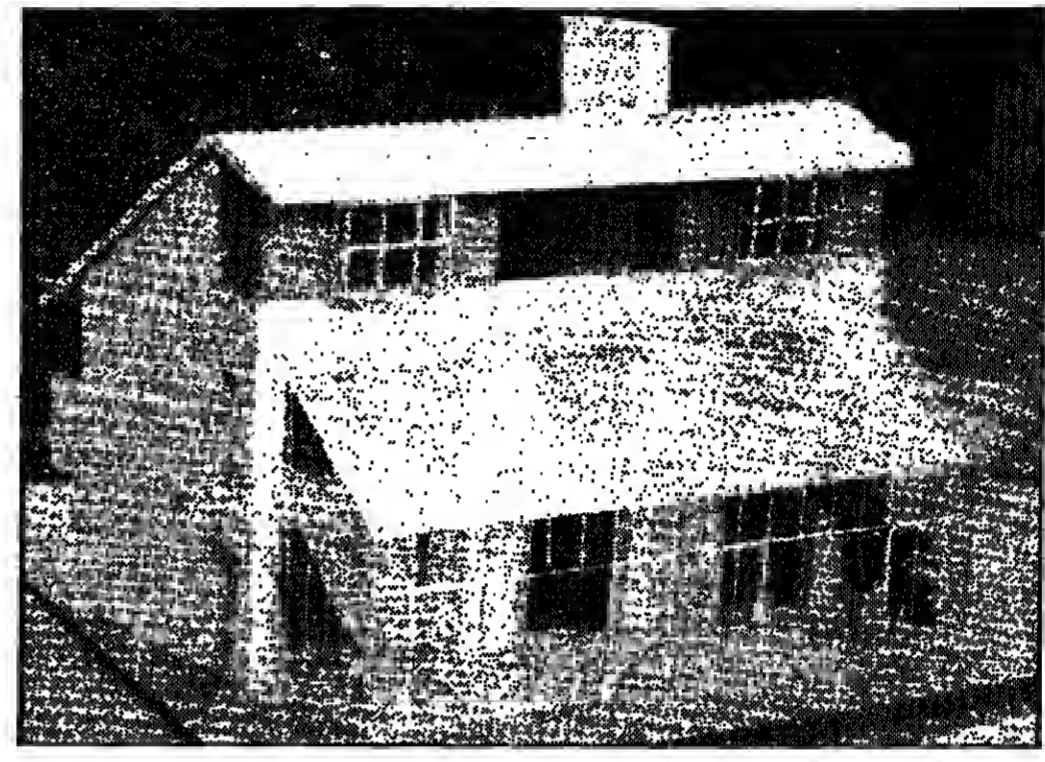
rightly, that most people do not want to live in an outrageously futuristic-looking place.

activities at home there has to be a more elaborate electrical system, insulation and sound-proofing.

To cater for this, the five-bedroom house has two mini-studio bed-sitters tucked away at the top, each with a work-station and a sleeping gallery above. The second family room is a combination gymnasium and hobbies room, or it could be an office and workshop. The garage, too, can double as a play or exercise area.

The house has two very different facades—the well-insulated traditional north-side, with storage and utilities hidden away in the cool.

The central zone of the house is a masonry core containing the kitchen and bathrooms—one full size, two showers, and a Japanese-style "fun-tub"—tanks and heat-exchanger.



blocks that provide considerable thermal mass to absorb heat, re-radiating the warmth throughout the house. The main heating is by gas, coupled with the solar energy, as well as a traditional coal fire.

The house is built by Mark Bristow and Sons, Dalmeay Road, London, NT, who will recreate it wherever anyone has any land. Cost could be about £100,000-plus, depending on the standard of fittings.

The nearest thing for the first-time buyer is an apartment recreated from Wimpey's elegant new Georgian-style development in Bessborough

## Exhibition Guide

THE Architectural Services Planning Partnership's five-bedroom house constructed timber-frame by Davis Build of Sevenoaks is unquestionably Tudor-style. It comes complete with half-timbering, jettied overhang and leaded light windows. The plans for it will be on offer at the exhibition for a special price of £25. If you want to buy a finished house, Davis will be building a £200,000-veston at The Mount, Oxshott, Surrey, next month.

CANADIAN kiln-dried spruce and Filipino mahogany go into Valhalla Homes' split-level house. Although transatlantic-inspired, it is manufactured in St Austell, Cornwall. Intended to withstand the extreme cold, the insulation is considerably more than that required by United Kingdom Building Regulations. The company builds about 30 houses a year in the West Country and Milton Keynes, at prices varying from £55,000 to £100,000-plus.

EXPOSED solid timber posts and beams, inglenook and dormers are the mainstay of Potton's Heritage Cottage based on an early 17th-century design. You also get a galleryed staircase and conservatory, plus a home-computer and hobbies room which has special storage for an artist's easel and brushes. The bathroom is extra large to accommodate keep fit equipment. The cost to build is about £75,000 plus the price of a plot.

## New Homes

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DIVERSIONS

Collecting

Frivolity in fine porcelain

FULDA is a less familiar name among collectors than Meissen, Berlin or Nymphenburg, but for cognoscenti the work of this small, short-lived factory stands among the most prized and costly of German eighteenth century porcelain.

It is never plentiful on the market; so that the appearance in the saleroom of the Meinerzhagen collection, comprising almost 60 pieces of Fulda, some of them unique, is a notable occasion for students of ceramics. Christie's who are holding the sale on Monday, anticipate prices up to £20,000—this for a particularly desirable sporting group of a hunter and his companion, attended by an endearingly silly dog.



Fulda hunting group—with "endearingly silly" dog

In the third quarter of the eighteenth century, the royal porcelain factory seems to have been an important mark of the prestige and culture of a German prince as his Italian garden or court orchestra. Thus more than a score of manufacturing establishments were established around the same time, the majority under princely patronage, and all using the secret methods first developed at Meissen—the first hard-paste porcelain factory—and subsequently spread by runaway "arcanists" from Meissen or Vienna.

Fulda followed the usual method of hiring an "arcanist" from an established factory—in this case Nicolaus Paul, who had worked at Höchst as an assistant of Joseph Jakob Riegler. Riegler himself had begun his career as an apprentice in Vienna and—as the most inveterate spreader of manufacturing secrets—was the most influential figure in the history of German porcelain.

Paul, as fickle as his master, was barely a year at Fulda before he was in turn lured away to start another princely factory in Kassel. His successor Abraham Ripp, proved more stable, and ran the technical side of the factory for the rest of its career.

Seven years later, Heinrich VIII von Bibra succeeded as Prince Bishop. Portraits of this tough, square-faced man indicate less of his spiritual qualities than of his great capacity for commerce and administration; and his 29-year reign saw great advances in the economy and prosperity of his little principality.

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characters more often than not have the look of children dressed up in masquerade costumes.

The figures made in the Fulda factory embrace the usual repertory of 18th century porcelain modellers: huntsmen, *jeux chinois* in the Watteau manner, characters from the *commedia dell'arte* (an unrecorded Scaramouche in the Meinerzhagen collection is expected to realise £10-15,000), children garbed as the four seasons. Fulda had a special affection for rustic characters—vintagers and harvesters—and did its own series of the cries of Paris.

One of the most attractive series portrays the Prince-Bishop's court musicians. Tradition has it that these figures were made to celebrate a royal change of heart: the Prince had decided to disband the orchestra as an economy measure, but was dissuaded by public protests. Mr and Mrs Meinerzhagen collected seven from the group (at least as many more are known).

Among their instruments are horn, clarinet, violin, oboe, flute and bagpipe. Amisio and well-characterised as they are, a closer look shows that Bartolomeo had exercised his "repairs" ingenuity in using the same moulds for the lower halves of all the figures, introducing variations only with the musicians' upper limbs, instruments, and pretty peasant hats trimmed with flowers.

Certainly one of the most desirable acquisitions for a Fulda collector however will be lot 1, a tiny cup which bears a cameo portrait of the factory's patron himself, Prince-Bishop Heinrich von Bibra. Heinrich died in 1788, and the factory did not long survive him. Within a year his successor had closed the enterprise and pensioned off the workers.

Revelation had just broken over in France: perhaps the new Prince-Bishop felt the age no longer suited either princely patronage or the exquisite frivolities that Fulda had created for the enjoyment of the Hessian aristocracy.

Janet Marsh

Exhibitions



Card Players on a Terrace, an oil from around 1810 on show at Brighton until April 6

The real price of a cup of tea

OPIUM AND tea lie at the heart of a stimulating exhibition at the Brighton Museum until April 6. The Chioa Trade, 1800-1860 is a jackdaw assortment of intriguing and colourful objects, from tea-bricks (apparently a form of currency in China) to silk chasubles, not to mention furniture, silver and water-colours. Together they will convey the high price we will, high-nosed barbarians, place on trade with China from the mid-seventeenth century.

The bulk of the exhibition is "export art" produced by craftsmen who had been instructed in the art of pleasing European taste, blending with Chippendale and Wedgwood interiors. Just how spectacularly chisellers caught on is, of course, visible across the lawn: the Royal Pavilion now swathed in scaffolding for its restoration. More important was the taste for tea which spread downwards through English society from the 1660s on. Eventually, as a cartoon of 1825 shows, the once-precious beverage was slurped from tea-urns by *hot polloi* on street-corners. The problem was: what could we sell the Chinese?

"sing-song"—elaborate clocks and automata—were quite successful until the Chinese learnt to copy them. As the Emperor haughtily told an English trade delegation of 1792, the Chinese had everything they needed. Whether his Imperial Majesty was secretly pleased with an exquisite gold and blue-enamel led telescope is not recorded. But the "foreign devil" soon found an answer to the trading imbalance: opium; lots of it.

party. It leads to him losing his inheritance, being beaten by his unpermissive mother who holds him by the pig-tail, and eventually taking to a beggar's life.

These prints were produced in about 1860, the closing point for the exhibition, and the year in which the Celestial Empire finally realised "the doom brought upon it by those foreign merchants who had once seemed so contemptible. In November 1860 Lord Elgin's troops smashed, looted and burnt the Emperor's exquisite summer palace. "Real" Chinese art was now exported in the pockets of looters who grabbed gold, gods and ivory bibelots. A Chinese grenade—a clay pot which would have been filled with three pounds of gun-powder—somehow reliciously illustrates this final end to Chinese arrogance and innocence.

A lighter theme in the exhibition is the always enjoyable sight of one society interpreting the artistic traditions of another. A saucer which shows on one side a modest mill-maid and shows her on the underside hending over with her skirts up may have puzzled the Chinese copyist less than some other subjects. Huntsmen, on a lovely punch-bowl from the British Museum, wear improbable turquoise and blue amidst Lilliputian hounds. In a Nativity scene, the Christ Child has Chinese features. Apollo, engaging in hanky-panky with a goddess, has acquired a halo.

Patricia Morison

Wild flower power

WHEN something is physically wrong with us, we go to the doctor. But suppose that we feel emotionally shattered, struck down with self-pity or jealousy. What is the remedy?

Tranquillising ourselves into oblivion is one (ineffective) answer. Another is to join the growing numbers using remedies based on wild flowers. Holly can be used to treat jealousy, envy, vengeance, or suspicion. Elm is suggested for those temporarily overcome by inadequacy or responsibility. Mustard is for deep gloom that descends for no known reason.

The idea of using wild flowers to treat emotional problems was first developed and practised by Dr Edward Bach in the 1930s. He decided that treating patients' physical symptoms was not enough; he had to heal the fears and anxieties that caused them. His research led him to wild flowers and he found 38 to cover negative states of mind.

helping to look for the relevant flowers ("a colleague might ring us from Devon and say the water violets are in bloom, and we are off"). Nicky deals with the prescriptions in this country while John handles overseas orders.

They receive 80 to 100 letters a day. What complaints do they have? "I think fear is the basic thing," says Nicky Murray. "There is a fear of life (for which mimulus is prescribed), a fear of the unknown (aspens) and sometimes terror (rock rose). We deal a lot with the shock of bereavement and broken relationships (star of Bethlehem) and guilt (pine).

About three quarters of the letters are from women. But this cannot be seen as the frailty of the weaker sex, as women often write on behalf of men, who are more reluctant to admit they are not fit. The men who need help usually complain of stress.

He prepared them (and still does) by picking the relevant flowers, putting them in water in a small glass bowl, and leaving them in the sun for about three hours. He then transferred the solution to phials, adding an equal amount of brandy to preserve the fluid. "Patients" take two drops of this essence daily.

ALTERNATIVE HEALTH

They feel overwhelmed with the responsibility of their jobs (elm), or lack of confidence in their own judgment (cerato). As one woman wrote of her husband: "He believes he could have done better in his business and blames himself for what he sees as lack of success. He thinks he is a born loser and is pessimistic." This condition calls for pine flower.

Women suffer less from stress; their problem is mainly fear. One girl wrote to the centre to ask for some aspen to counteract her growing fears about her forthcoming marriage: "I don't want to get a panic attack at the altar and dash out."

All ages can benefit from the Bach remedies. Teenagers write to say they lack confidence (and get larch). An shy (mimulus). One said: "My basic problem is not being able to make a deci-



sion about life in general" and scleranthus was prescribed. Parents ask for help with hyperactive children (vervain), domineering (vines), or late vicious rages (cherry plum). A letter from one mother said: "My main concern is with my children as all of a sudden in October last year they developed asthma" (red chestnut). Another wrote of her nine-year-old daughter, in hospital with anorexia, "who thinks of herself as just dirt" (crab apple).

Complaints about "feeling exploited" (centaury), "being as tired in the morning as when I go to bed" (olive), and "having thoughts that just grasshopper here, there and everywhere" (scleranthus), are not unique to Britain. "America is the largest market," says Mr Ramsell, "but Germany, Austria and Switzerland order a lot, and Denmark, Holland and Australia are very interested."

On average, a phial of essence costs about £1.50 and lasts a considerable while. A price list, order form and reference pamphlet can be obtained from the Bach Centre, Mount Vernon, Scotland, near Wallingford, Oxfordshire (enclose s.p.).

The pamphlet lists all 38 remedies, with a description of the state of mind that each treats. If you are undecided, the centre will suggest what you should take. Pamphlets and Bach remedies are also available at many health food shops.

Joy Melville

This is the last in the Alternative Health series.

THERE IS always some pruning to be done in winter, but this year there is likely to be more than usual, especially in southern England. This is because of the peculiar winter we have been through: an unusually cold November which did quite a lot of damage before plants had become fully dormant, then a quite mild spell in December and January which got sap rising early, and finally the deep freeze in February. Further north the weather seems to have followed a more normal pattern and, by April the condition of most plants should be much as usual.

There are two things that principally concern pruners in March and April: one, to get rid of growth that is already dead or so badly damaged that it is unlikely to flourish; the other, less essential, to restrict growth so that rising sap is concentrated on fewer buds, to make new growth stronger and the flowers of better quality.

Sometimes the two aims march side by side: with hush and standard roses it is essential to cut out dead and damaged growth and nearly always desirable to restrict what remains. A lot of last year's stems will have been damaged by frost or die back and will need to be pruned drastically. The tell-tale sign is bark that

When it's kindness to cut

has turned dark purple or black. The stems must be pruned below the discoloration to clean healthy wood; that may well mean finishing up with only an inch or so of some stems which, after a more kindly winter, could have been left anything up to a foot long.

In many parts of Britain it is necessary to cut frenchias almost to ground level each March or April since even the hardy varieties suffer frost damage but can be relied on to make good new growth from the base or directly from the roots.

The common purple buddleia and the hardy hydrangea paniculata and two shrubs which normally get through the winter without much frost damage and are pruned mainly to reduce bush size and improve flower quality. Trouble is most likely if they start to grow too soon and some of my buddleias were already well advanced by late January when the frost struck. I always cut back buddleias to places where I can see new growth, either a cluster of small leaves or a bud that has begun to burst. But even without frost,



buddleias are liable to lose some branches, mainly as a result of age, so I prune to ground and, if I cannot see any, I cut that branch right out. Hydrangea paniculata, and also H. arborescens grandiflora which grows in the same way and is just as useful though much less planted, are less likely to lose branches in this way and in most years one only has to decide how many stems one wants to retain and how far they should be shortened.

Gardening

Archaeology

Sussex and its military past

hills around. The other is for the early 14th century barbacan. Walk through the gate and you come to Castle Lodge on the left, early 19th century Gothic and incorporating part of the castle, and then on the right the tilting (jousting) ground, which has been a bowling green for many years.

Barbican House opposite the castle entrance has a newly rearranged museum of Sussex archaeology. The museum is a boy is gone, though much of the material is the same. The display explains the different cultures that have stayed in Sussex, so many of them around the South Downs. The museum has a model of Neolithic flint mines, which were probably the first real ex-

ploitation of a local resource. The flint was made into tools, but was mined with picks, hammers and shovels made from antlers and animal scapulas.

In the Roman room is an evocative reminder of the size of the Roman Empire, a milestone originally on the Chichester-Brighton (Roman) road and dedicated to Constantine the Great (307-351). He seems very far away.

From Lewes of the Normans you see at Battle Abbey the likely spot where Harold the Saxon fell, and some of the abbey remains. The building is on Senlac Hill, the ridge the Saxon English held. There are now green fields and woods. It is easy to picture the Normans attacking up the hill and

much point in cutting the species severely, as it is quantity of bloom that one looks for.

With the large-flowered hybrids one has the choice of cutting everything down to within a foot or so of the ground to get smaller plants with larger flowers, or of retaining a much bigger framework of old vines and pruning side growths to a few inches to get far more flowers of a smaller size.

I expect to find that the very attractive blue-flowered caryopteris has suffered a lot this winter in the south and many plants may well be dead, but do not be in too great a hurry to come to this conclusion. Let the malone until April, or even May, when it may well turn out that some are making new growth from the base and can be pruned back.

Willow and dogwoods grown primarily for their winter bark colour must be hard pruned each spring to get the strong new stems that give the best effect. I tend to leave this until April, because I cannot bear to lose the colour earlier. Sometimes the new growth is slow in coming but it accelerates remarkably in June and the end product is fine. It is *Salix caprea* and the varieties of *S. alba*, *Cornus alba* and *C. stolonifera* that respond best to this annual pollarding.

Arthur Hellyer

From Wilmington you pass between Firle Beacon and Mount Caburn. Both peaks have Iron Age hillforts, as do many others on the Downs, such as Ditchling Beacon, Wolstonbury (above Hursley Pierpoint), Devil's Dyke and Chantconbury, going west. The spacing a few hours' walk along the ridge way apart of these centres, and of the earlier groups of Bronze Age round barrows, marks how the country was divided in early times.

The hillforts date back to at least the 6th century BC. By the end of the 2nd century BC many of them were not needed, while several had appeared in the Weald, presumably to protect the iron supplies needed for the Iron Age.

But some on the Downs were strengthened, such as the Caburn occupying 3 acres on Mount Caburn, about 500 ft high. We tackled it the steep way up from the south; if this is what the Roman legionaries did in 43 they had to be pretty fit to have the breath to fight when they got to the top. The proper entrance is at the north, east, and could have been reached more easily by walking up from the village of Glynda. Despite the defenders' splendid ramparts, ditches and palisades—identified from the post-holes—and the supplies of food in pits, it fell.

Most of Sussex was easier for the Romans. The local tribe of the Regni generally co-operated with them, as is shown by the special favours from the Romans to their king Cogidubnus. Villas were built and lived off farmland. Sussex had peace for some centuries, guaranteed by the Roman army, till the Saxons came.

Gerald Cadogan

BRIDGE

MY FIRST HAND today comes from Championship Pairs of some years ago.

Hand of cards for a bridge game. Includes cards like AK73, KQ, J102, KQ104, etc.

With both sides vulnerable, North dealt and bid one club, East overcalled with one heart, and South said one spade. The opener raised to three spades, and South went on to four.

West led the heart six, the Ace woo, and East returned a heart to dummy's King. If there were four trumps in one hand, they were not likely to be with East in view of his overall, so declarer was careful to lead the spade three to the Queen, East spouting out. He returned the spade four, West played the nine, and the King won. Now dummy's diamond Knave was run, and lost to the King. West shrewdly led a heart, but the declarer for

the neat dummy reversal, and the careful bandling of the trumps. Now for a hand from rubber bridge.

Hand of cards for a rubber bridge game. Includes cards like AK975, AK82, etc.

opened the bidding with one spade, and went four spades after a double raise from his partner.

West decided to lead the three of hearts, and the King won. The declarer led dummy's diamond to his Ace, ruffed a diamond on the table, and cashed the King of spades. He continued with another spade, played his Ace, and West showed out. He ruffed his diamond with dummy's last trump, and led a club, hoping to find East with the Ace. Unfortunately, West had that card, and the declarer lost three clubs and the Queen of spades

to go one down. Better technique lands the contract. At trick three South should cross to the heart Ace, ruff a heart in hand, and then ruff a diamond on the table. He ruffa dummy's last heart with his eight of spades, and his diamond with the spade seven. Now he cuts adrift with a club, and the defence take three tricks in the suit. Dummy holds King, one of spades and a club, while declarer holds Ace, Knave, ten of spades. Whichever opponents leads must "find" the trump Queen for the declarer.

E.P.C. Cotter



هكذا من الأصل  
Sidelines

# A show where art meets life

A name like Ideal Home Exhibition is asking for trouble. It raises the sort of expectations that no exhibition, no matter how thrilling, could ever hope to fulfill. But if you go in the right spirit, prepared for the crowds and the bulging plastic bags, then you will not be too disappointed.

In pre-Beattie days when there were fewer leisure opportunities laying claim to our time and money, the exhibition used regularly to attract over 1m people. In the golden year of 1957

AFICIONADOS of the show will be familiar with the fact that each year there is a theme. Whoever thinks it up is clearly an inventive character. We have had Rainbows and Balloons, Flights of Fancy and Suddenly, it's Spring. This year the theme is Art in the Home and it really does seem like a breakthrough: if you are the sort of person who shrinks at the idea of a Tretchikoff print being presented as art, then fear not, this exhibition is very much better than that.

To start with, underlining the exhibition's commitment to quality, the pavilion which will house the art is being designed by Fitch and Co. As design consultants go, it would be hard to go higher.

The Arts Council and Liberty, the Regent Street store, have joined hands to present a series of rooms which will be home to paintings, sculptures, prints, drawings and photographs by leading

some 1.3m passed through the turnstiles. Today 500,000 regularly make a date to look out for gadgets they never knew they needed, to tramp through the show houses looking at colour schemes they had never thought of and to taste food that is a long way from Mrs Beeton.

This year's show opens on Tuesday March 4 and carries on until 5 pm on Monday, March 31. Here, I look at four of this year's highlights.

from galleries specialising in original work or from the Arts Council's own collection. None of the works on show will be for sale but anybody interested in a piece will be told how to attract the artist in the gallery that represents him.

Anybody who has always wanted to buy original work by young contemporary artists, and not know how to set about it, should make a point of visiting the exhibition. It will be an opportunity to see a wide cross-section of contemporary art, a chance to find out for yourself what you do and don't like.

"Patrick, does it not take a long time to be feeding the pig like that? Aye to be sure but what's time to a pig?" Oil on canvas, by Jock MacFadyen, from the Living Art Pavilion



Lucia van der Post  
HOW TO SPEND IT

If you have always liked the first-floor gallery of the Ideal Home show—that circus-like arena where demonstrators spin improbable tales and sell even more improbable gadgets—then make a point of going next Tuesday to see Ken Hom, dubbed in America the Wok Man, conjuring magic things out of the wok he has redesigned for WL Housewares.

Ken Hom is a charmer. He first turned that Oriental smile on to the great British public when he presented the BBC's Chinese cookery service last year. Since then he has gone on smiling all the way to the bank.

"Cookery," he believes, "is a universal means of communication." That is patently true but it is also, as some cynic pointed out, a phenomenally good way of selling books, and Ken Hom's Chinese Cookery is a best-seller if ever I met one, with well over 400,000 copies sold in one year alone.

Ken Hom's great strength is that he is a master at demystifying Chinese cookery—though respected and accepted by the

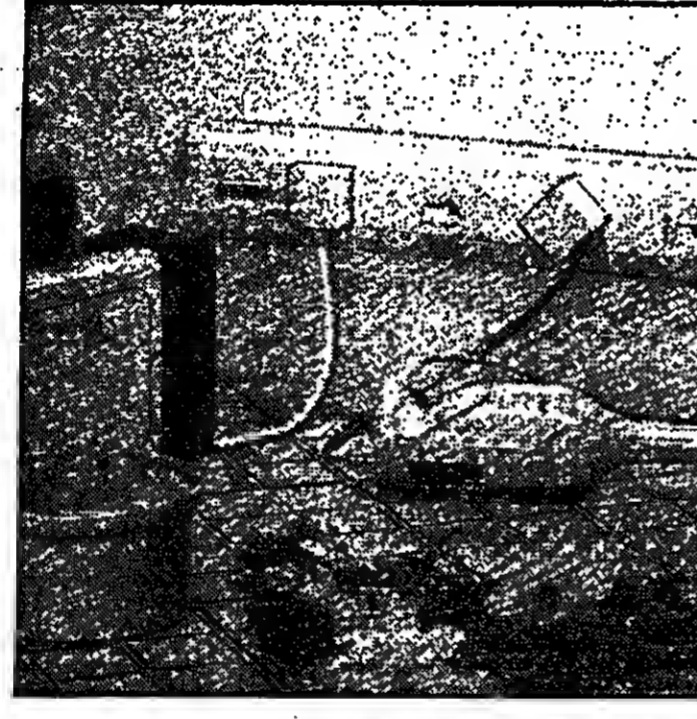
foodies of this world, he has a knack of presenting Chinese cooking methods in ways easily understood by the Westerners. He believes passionately in the virtues of Chinese cookery—so quick, so healthy, so fresh, so tasty, "the perfect fast food."

If you thought woks were old-hat, WL Housewares sales figures will put you right. They are selling some 50,000 woks a year and the figure is rising. All the evidence is that the trend isn't going to go away. Cooking with a wok fits in with today's attitudes to food. Men who would not normally be seen near a saucepan or a frying pan will take to the wok—it is quick, it is not as exacting as, say, French cookery, and once you understand the principles you can experiment with it easily.

When asked to help WL Housewares produce the perfect wok Ken Hom wanted to make sure it was made of the right materials and that it sold at the right price ("After all, it shouldn't be expensive because Chinese cookery is

above all an economical cuisine"). So the end product, the WL wok, sells for just £14.99. Made from thick spun carbon steel, it has higher sides than most woks; you can stir-fry successfully without splashing food about. It has a small flat bottom, instead of a round one, so that it balances well. The handle is made of walnut (so it does not get too hot) and there is just one; Ken Hom finds the commercial ones with two handles are not so practical for the home cook. It is sold without accessories—in order to keep the price down—and it can be used on an electric or gas cooker.

The wok can be bought from most good kitchenware departments and hardware stores, but if you want to see Ken Hom in action you will have to go along to the Ideal Home show on Tuesday between 11 am and 3 pm, when he will be showing how he produces his succulent results.



The Electrak: a safe, neat five-socket unit

FOR MANY people the favourite part of the Ideal Home show is the gadget corner, the gallery where you can find the miracle potato peeler, the amazing cream whipper or the incredible near-onion chopper.

This year's miracle gadget must be the cordless iron photographed left. The press release is shamelessly rhapsodic—"It represents a significant advance in iron technology." It works rather like a cigarette lighter and is charged by a disposable

butane gas canister. It is very easy to operate—you switch it on just like an ordinary iron, and the battery (a standard PP3) then activates the electronic ignition system which automatically lights the gas.

It will clearly be a boon to travellers—there is no cord or plug—though it is not as small, fat and light as some of the specially designed, more conventional, travelling irons. It has been through the usual safety tests and is sold with a 12 months guarantee.

The iron will be demonstrated daily on stand No. 419 and it can be bought for £29.95 direct from the Cordless Iron Company Ltd, No's. 4 & 5 Inverness Mews, London W2 3JQ.

Show houses at the Ideal Home Exhibition are reviewed in Property, page XVII.



Ken Hom with the wok of his choice

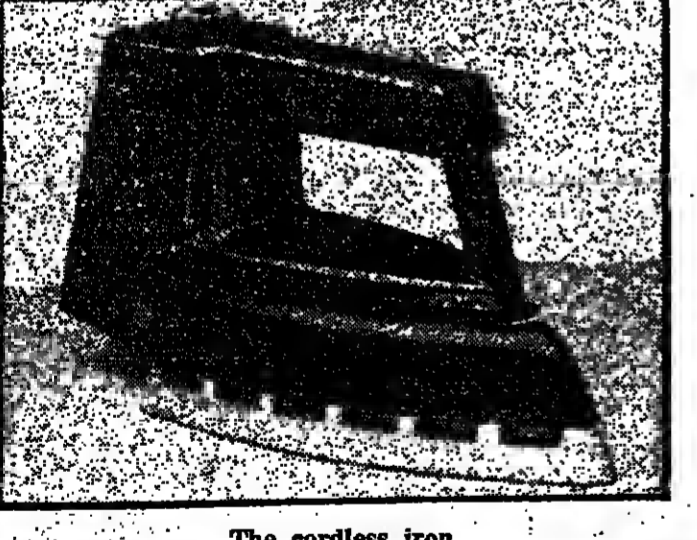
ANOTHER GADGET that looks dull but is in fact immensely useful—the Electrak socket and plug electrical system—what you can see from the photograph, it is basically a track whose five sockets should cope with most of the equipment that one might need in, for instance, a kitchen.

Instead of using, as most of us do, a two-socket outlet with an adaptor (which is both clumsy and could invert, the adaptor) this provides in a neat and safe way a good number of outlets. It is safer than the conventional system because in order to activate the electricity the plug has to be pushed in, then locked in by turning it through an angle of 90 degrees. Conversely, to deactivate it you need only turn the plug back

through the angle—it need not be pulled completely out.

Many elderly and disabled people find this a simpler way of using electrical equipment and it makes it, of course, very safe for children. Launched at the Ideal Home show, it costs £24.95 for the track and you will also need the special plugs (£1.70 each unless you use an adaptor, which rather spoils the point of the system).

From March 3 it will be available at most electrical shops and departments, or it can be bought by mail from Electrak International Ltd, Consumer Dept, 44 High Street, Kingston-upon-Thames, Surrey KT1 1LQ.



The cordless iron

A GOOD wine merchant's seasonal mail order list will carry a wide range of sources and types of wine at reasonable prices. It will be doubly useful, for buyers are seldom able to make regular visits to merchants scattered about the country, for example to Beaconsfield, Bristol, Colchester, Dorchester, Shrewsbury and Southwold—the locations of some of the more distinguished traditional merchants who make special efforts with their catalogues.

These firms normally buy their vintage wines early and keep at least a proportion until they are ready for drinking; stock-holders as opposed to the supermarkets, which have no cellar facilities and must buy and sell quickly. Under these conditions most traditional wine merchants would quickly go out of business. So they may be more expensive for the everyday wines, for me or two specialists apart, no wine merchant can live on selling vintage wine alone.

Yet the traditional merchants' everyday wines may be superior to those in the High Street. Their "house" claret may have more bottle-age, their champagne a longer landing-age. And their mail-order sales have an increasing advantage in these traffic-congested days, with delivery usually free for any quantity of a case of a dozen bottles upward.

So the catalogues were simply lists, unilluminated by notes or illustrations. A surviving example of this is provided by the vest-pocket one of Berry Bros & Rudd, which has hardly changed for at least 50 years, and save for a few recently-introduced comments on mixed cases and French country wines, carries no notes.

## Wine

# Making the world your vineyard

Today the vineyards of the world are at our disposal, but we cannot be well-informed about them all. Therefore we are entitled to brief descriptions, bearing in mind that it is difficult to describe in a one- or two-line note the varying qualities of such wines as minor clarets or vins de pays that are not all that different.

Wine lists are costly to produce and circulate. It is time-consuming to get the wines, stocks and prices right, which is why some firms produce only one list a year. For fuller information serious wine drinkers must turn to books; of which, unlike in the past there are now excellent examples, at least for every important European region.

Of the main catalogues, Lay and Wheeler's of Colchester stands out for its range of wines, attractive design (though not for the latest cover), and intelligent comments. The complicated price tables have been simplified, though it is unclear why the ex-VAT prices have to be added. The same criticism applies even more to the aus-

ter but well-documented annual list of Correy and Barrow, London ECI, for all their prices are ex-VAT. Presumably these numerous City clients are thought to carry pocket calculators in their brief cases. The headnotes on vintages are ample and well-written.

Adam of Southwold's annual list is engagingly personal, with pictures of staff and suppliers to make customers feel part of the family. Avery's of Bristol's list is also annual, and has good vintage headnotes, but its lengthy burgundy and claret lists are obviously planned for

the sophisticated drinker. Eldridge, Pope of Dorchester has been greatly expanding its wine interests and their thumb-indexed list by country and region includes many distinguished clarets.

Another list from outside London is Townsend of Hull, with vintage wines' drinkability indicated by varyingly inclined bottle emblems. Unfortunately the headnotes, credit Joan of Arc with defeating the English at the battle of Castillon in 1453. In fact "we" had burnt her at Rouen 22 years earlier. Les Amis du Vin, Ariel Way, London W12, produced a very informative 10th anniversary list, with every wine annotated. Not surprisingly Harrods have a long, full-colour catalogue, produced for them by a subsidiary company of Decanter magazine. It is a pity that it includes advertisements which give it an over-commercial appearance.

With the exception of Correy and Barrow's tall narrow list, all the foregoing are in A4 format, but the smaller A5 ones are more compact, easier to handle and to put on a refer-



THERE WILL be a gutsy breath of French air wafting through Harrods this month. In one of the biggest promotions it has ever embarked upon, the store will treat us to a hefty dose of Gallic style.

For most of us the most potent symbols of La Belle France are probably the cuisine redolent of the sunny South, and what we have to regard as her pre-eminent chic in the world of fashion. If it is clothes you are after, then get your eye in at the fashion shows being held between March 5 and 8 (€5 for the show and a glass of Kir Royale, €20 for the show and lunch; telephone 01-730 1234 extension 2730 for tickets).

If all that has made you want to reach for your chequebook there will be creations by some 75 designers, from the classic output of houses like Dior, Lanvin and Givenchy to more avant-garde numbers by Jean Paul Gaultier and Apostrophe.

There will be a Marche aux Puces (no doubt every bit as crowded as the real thing) where you can rifle through any number of "antiquities," "brocantes" and bric-a-brac. If you want to catch up on a more up-to-date image of France, take a look at the furniture section: you will see the very latest work of their modern designers.

Give your palate a treat by trying out the food cooked by a team of chefs from the Ritz in Paris—a three-course luncheon including a glass of champagne will be £18.50—and watch out for a new Harrods food line labelled Gourmet/Gourmand.

In the home departments take a look at the elegant glass from Baccarat and Cristofle and Vuillemeret, and delightful Provencale fabrics by Souleiadou.



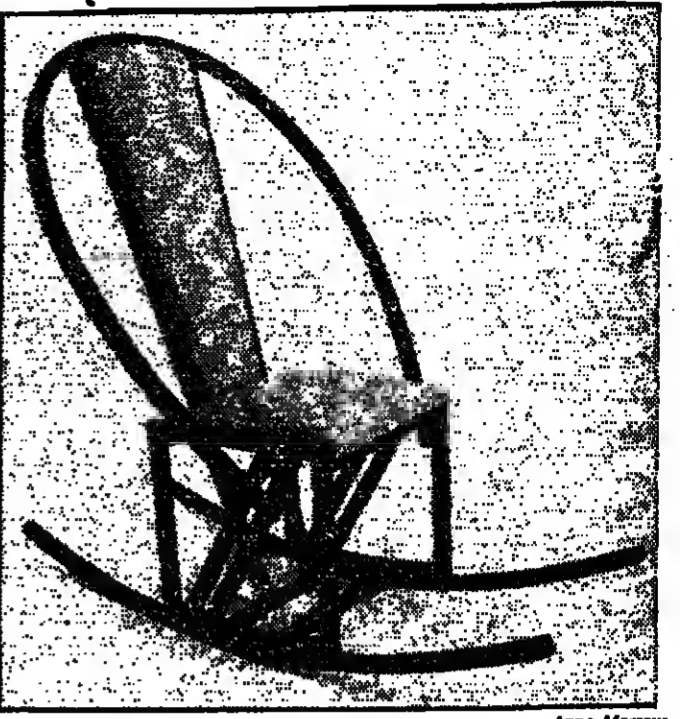
James Ferguson

No wonder the British invented the cardigan—the perfect garment for pulling on and off as you move around in draughty English country houses. The drawback, though, is that unless it has been made by expert hands it is not usually elegant. A much more glamorous way of keeping warm is to wear a serape (the Mexican word for a poncho) like the one sketched here.

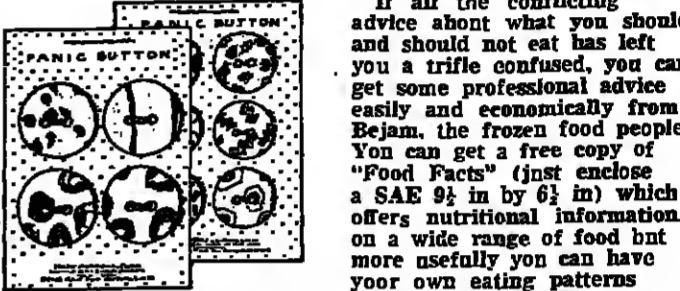
Like cardigans, they can be wrapped around you in a trice and unwrapped just as quickly. Many of the grandest designers sell them at astronomical sums but the best value I have come across are the serapes from Johnstons of Elgin.

Made from 70 per cent cashmere and 30 per cent wool they can be ordered in black, navy, burgundy, natural, scarlet, mid-blue, tartan green, dark camel and dark grey. If you are visiting Elgin you could call in at The Mill Shop, Newmill, Elgin, Moray, Scotland. Otherwise order by telephone, using your credit card. Telephone Elgin 7821 and ask for the Mill Shop.

Readers interested in Antique Discovery, the company run by Sally-Anne Duke and Carola Sutton to track down the antique you are after, should note that the telephone number is 01-673 1198.



Black finished contrast rocking chair designed by Pascal Mourgue for Pamco, £380 from Harrods.



ONE OF the oldest tricks in the book is to give a chain-store garment an air of class and individuality by changing the buttons. If you are looking for some charming, hand-painted buttons that would add an air of gaiety to any summer knitwear, then look out for the ones made by Claire Abbott and Julie Thornton.

The buttons are made from a hand-washable synthetic clay (you cannot put them in a washing machine, but they are colourfast enough to survive handwashing in warm water). Each one is unique so small variations in pattern and colour occur quite naturally. They come in cards of four large or 6 small buttons which sell for just £2.50 a card at The Button Box, Bedford Street, Covent Garden, London WC2. Anybody who wants to order buttons to a specific colour or design should contact either of the girls at Flat 1, 141a High Street, Rochester, Kent, or 1a Albany Road, Rochester, Kent.

DRESSMAKERS among our readers might like to know about the Jean Muir fabric shop at 61, Farringdon Road, London EC1M 3ED. You can buy a wide variety of the printed and plain wools, silks and cottons so familiar to her devotees. Prices range from £4 to £15 a metre. There is a special Jean Muir pattern, graded for sizes 8-16, costing £4.95 and it would enable the nifty sewer to make up a neat Jean Muir dress. There is also a complete dressmaking pack for £49.50 which provides everything you need to sew your own Jean Muir.

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Edmund Penning-Rowell



# Dalton puts it down

THE SECOND WORLD WAR DIARY OF HUGH DALTON 1940-45 edited by Ben Pimlott. Jonathan Cape £40.00, 913 pages

FEW BRITISH politicians can have recorded more of their experiences than Hugh Dalton, the man perhaps best known for having to resign as Chancellor of the Exchequer as a result of a minor indiscretion to the Press a few minutes before his budget speech in 1947. He wrote three volumes of autobiography which tell much of the history of the Labour Party and the post-war Labour government. He also kept a diary which seems almost a daily basis from 1916 to 1960.

to be able to summon his breakfast just like that, and that the Minister for Economic Warfare, as he was at the time, should display so little interest in the German attack. It was, after all, one of the most seminal events of the war, and it does not need hindsight to say so. He was similarly understruck of Pearl Harbour. That is the key to the Diaries. They are personal only where Dalton's career is affected. When his wife effectively leaves him, the entry for Sunday December 14, 1941 reads in full: "Wet all day, so I read and sleep. Ruth is clearing things up and packing for her move to the North."

was in collecting young talents: Hugh Gaitskell, Richard Crossman and Evan Durbin, the great friend of Gaitskell who was drowned in 1948. New from these diaries is that he had a similar admiration for Peter Thorneycroft, who subsequently became Chancellor of the Exchequer and later still, chairman of the Conservative Party. Dalton writes that he would have liked to have had Thorneycroft — "intelligent, attractive and progressive and an excellent speaker" in the government in the last months of the war-time coalition.



The Happy Peasant—one of the drawings in The English Satirical Print 1600-1832, a seven volume series from Chadwyck-Healey, Cambridge. It appears in the volume, The Englishman and the Foreigner by Michael Duffy (£40.00). The prints in this volume strikingly depict the images which 18th century Englishmen formed of their neighbours

# Céline's good and evil

CELINE: 1932-1944. DELIRES ET PERSECUTIONS. By François Gihault. Mercure de France, FFfr 149, 378 pages.

POETIQUE DE CELINE By Henri Godard. Gallimard, FFfr 145, 474 pages.

IN THE 25 years since his death in 1961, the strange fanatical figure of Louis Ferdinand Céline has been largely relegated to obscurity. It is as if his angry shade required a long period of quiet before an objective reassessment of the man and his work could be attempted. This, however, is now under way. François Gihault has already published two volumes on Céline: *Les Temps des Espérances (1894-1932)* and *Consolider de l'Apocalypse (1944-1961)*. Completing the triptych, this new volume, based on a mass of hitherto unpublished material, covers the darkest period of Céline's tormented career, from the writing of *Mort à Crédit* to his years of collaboration under the German Occupation, his flight to Germany after the Allied landings, and his exile in Denmark.

increasingly obsessed with the idea that the whole world was somehow in thrall to a sinister Jewish conspiracy. He gave vent to this delusion in a number of works of the late 1930s, notably *Bagatelles pour un massacre* and *L'École des cadavres*, and in various pamphlets he wrote later under the wartime Occupation. But his anti-semitism, although it made him naturally sympathetic to the Nazi ideology, was only part of a deeper paranoia. His experiences in the 1914-18 war had filled him not only with an ardent pacifism but with a general disgust for the human condition, and especially for what he saw as the decadence of French society, so that he actively sought to draw down the lightning and to create enemies on all sides, inveighing by turns against the bourgeoisie, the Popular Front, the Church, Action Française and General de Gaulle, but also against the Vichy regime, the Occupying Power, and eventually against many of his fellow-collaborators.

# Stars and survivors

HOLLYWOOD BABYLON II by Kenneth Anger, Arrow, £5.95 (paperback), 314 pages

THE CINEMA BOOK edited by Pam Cook. British Film Institute, £12.95, 368 pages

BRITAIN CAN TAKE IT by Anthony Aldgate and Jeffrey Richards. Blackwell, £15.00, 305 pages

INSIDE WARNER BROTHERS edited by Rudy Behlmer. Weldon, £15.95, 343 pages

THE HOLLYWOOD STUDIO SYSTEM by Douglas Gomery. British Film Institute, £20.00, 202 pages

too sudden years of fame turned into an adolescence of bit parts and disillusionment. Hollywood, having conferred the pre-pubescent magic from them, then threw them unceremoniously on the scrap-heap.

Inside most superstars, argues Anger is a lost soul or an angry dybbuk waiting to get out. Once inside the pages of *The Cinema Book*, one suspects that many a lost reader or raging sceptic will be waiting — nay clamouring — to get out. For this is the plain man's guide to radical film criticism: 370 pages, edited by the British Film Institute's Pam Cook, about such mysteries as the auteur theory, structuralism, the "castrating gaze," the role of psychoanalysis in film studies, the theories of Christian Metz and Claude Lévi-Strauss.

The trouble with yesterday's avant-garde — and much of this is yesterday's — is that it has either become today's mainstream dogma or it has been left behind and forgotten, now seeming even loonier than it did be. The book's survey thus tends to tack between the over-familiar and the outlandish, causing much queasiness in readers. There are commendably lucid outlines of critical approaches to genre cinema: the horror film, the epic, the musical, and the pressures are as get lost in the stormy waters of, for example, Lacanian psychoanalysis of Vladimir Propp's "morphology" of the fairy tale.

Britain Can Take It is about



Wendy Cope: persuasive parodies

# Throwing her voice

MAKING COCOA FOR KINGSLLEY AMIS by Wendy Cope, Faber & Faber, £3.95 (paperback), 69 pages

LAKE WOEBOGN DAYS by Garrison Keillor, Faber & Faber, £3.95, 337 pages

I recollect with joy that inky pen. As a profession parody has for far too long been an almost exclusively male preserve, from Beerboom, through the Punch school (Calverley, Seaman, A. A. Milne) down to the brilliant Roger Woodis. It is refreshing to have Ms Cope so confidently striding in to annex some of this territory. Like her predecessors she relishes the discipline of highly contrived verse forms such as the rondeau and the villanelle. If I refrain from saying that she writes triplets about triplets, I do agree she has a happy knack with haiku. Not are all the postcard parodies some speak directly of love's labour's lost. A lively début.

Another début, at least for British readers, is that of Garrison Keillor, A New Yorker writer, he has long been a household name in the United States for his nightly radio show which has a vast audience. It is easy to see why. Americans love anecdotes, especially anecdotes about isolated local communities with their peculiar ethnic rituals. Stephen Crane called his town for fictional purposes Whiloberth and Edmund Wilson dubbed his Hecate County.

Keillor takes us into deepest Minnesota under the alias of Lake Woeboogn. He provides the most thorough-going history and topography of this truly intimate youthful memories of it Keillor describes its early nineteenth century Bostonian descendants who were succeeded by the more down-to-earth Norwegian immigrants. They drained the land and founded the prosperity. Their descendants provide Keillor with what seems to be an inexhaustible supply of lengthy anecdotes, sometimes spawning shorter ones in the form of footnotes, about people whose work and leisure habits, whose whole outlook and beliefs, he faithfully reconstructs. Local history is even in this pre-fabricated form a beguiling pastime but I found a little of it went a long way.

At one point Strugnell's landlady explained he was "a quiet sort who liked to read," but whose chief solace, to her annoyance, was listening late at night to jazz: He didn't seem the sort for being free With girls or going out and having fun. He had a funny turn in sixty-three round shouting "Yippee! It's begun." The author of the programme was a London school-teacher Wendy Cope, whose poems had hitherto appeared in various little magazines and anthologies. Now they have been collected into a slim volume, *Making Cocoa for Kingsley Amis*. The Strugnell poems are all included, dazzling take-offs of a whole range of styles from Raine-like Martians to Fitzgerald's *Rubáiyát*. Among the Nursery Rhymes there is a version of Hickory Dickory Dock as re-written by T. S. Eliot ("I saw the mouse ascend the ancient timepiece/Claws whispering like wind in dry hyacinths") which takes its place beside Henry Reed's *Chard Whitlow*; even better still is *Baa Blacksheep* in Wordsworth.

And oft now years have passed and I am old.

Anthony Curtis

# Staying in tune

The Image by Isaac Bashevis Singer. Cape, £9.95, 310 pages

The Recognitions by William Gaddis. Penguin, £7.95 pbk, 956 pages

JR by William Gaddis. Penguin, £7.95 pbk, 726 pages

Carpenter's Gothic by William Gaddis. André Deutsch, £8.95, 263 pages

Faces by Leigh Kennedy. Cape, £8.95, 152 pages

Waterloo, Waterloo by Teresa Waugh. Hamish Hamilton, £9.95, 180 pages

one thinks of Singer in our own day. Son of a Polish Rabbi, he knew all about Jewish "magic" long before the learned books were published. There is no need for me to draw attention to the excellence of these new stories by the man who is probably the greatest living writer. It is more to the point to remind all those readers who respond to him (and who does not?) that, if he really is "in tune with the universe"—and the deceptive ease with which we read him really does suggest something of that order—then the universe is, in some way that has eluded the minds of rationalists and even well-intentioned humanists, "magical." In other words, we should remember that "religion" is not so easily replaced as we might imagine. Meanwhile, the amount of sheer pleasure, and pleasure at the highest literary level, to be gained from these tales, is beyond measure. Singer has by no means exhausted his powers, and I leave the reader to discover what new territory he has made his own. As for the death of Yiddish: I think Singer has seen off the legend. How could we, in view of him, allow it to die?

William Gaddis, whose massive first two novels *Pearls and Feathers* and *The Power of One* have now been republished, has been much ignored. But there are a few who believe him to be the greatest novelist of our time (and one who thinks *The Recognitions* the greatest novel of all time...). Suffice it to say here that his new novel, *Carpenter's Gothic*, is very considerably shorter than the first two—and that readers could very well choose it before getting acquainted with his two earlier books.

Gaddis is a modernist rather than a post-modernist; which is

# Malcolm Rutherford



William Gaddis: outsize narratives

to say that his techniques rely on Joyce, Céline, Henry Green and other writers of the first half of our century, rather than offer anything new. To be brutally frank, I am glad to have the big novels in handy form, but I know that I shall never read them. I tried when they first came out, and then again when I read the enthusiasts: I found the attitudes expressed admirably stereotyped (too, to say) and the actual writing quite old-fashioned: a little manic, and never as funny as the author believed. Gaddis writes, somewhat conventionally (or so some may feel), about the fraudulence, cruelty and crassness of our age. These seem to me to be models of what modernist (not post-modernist) novels might be.

The latest one, *Carpenter's Gothic*, is a tour de force of construction. It uses the tried formula of the well-made play cleverly to suggest a sequence of fraud stretching over two continents. And we should be grateful to Penguin for making the two earlier novels available again.

*Faces* is a book of stories by a new American author, Leigh Kennedy, who specialises in an attractive (and never malevolent) style of black humour. For example, in "The Silent Cradle" a wife with two children suddenly senses that she has a third child, and, indeed, there are all the signs of one. Nor is this a study in a diseased imagination. All the short tales explore genuinely dark recesses in the modern human mind—and the explorations include cannibalism and malice where none is intended. This is an excellent début.

*Waterloo, Waterloo* is a light comic novel about cranky people getting their come-uppances. It is slightly crazy, very pleasant and agreeable to read, and points a rather savage little moral.

Martin Seymour-Smith

# Reluctant Afrikaner

THE LAST WHITE PARLIAMENT by Dr Frederick Van Zyl Stabbert, Sidgwick and Jackson, £10.95, 178 pages

the obligatory ritual of public life. I was off my mind to let myself get trapped into it. That was when he won Rondebosch for the then Progressive Party in 1974, and even when he emerges as Leader in 1979 he knows more than ever that he is not cut out to be a public figure, that he is bored with parliament, that there must be some better contribution he can make.

"THE LEADER of the White Opposition" proclaims the dust jacket — which of course is no longer true. Dr Stabbert resigned a few weeks ago in a dramatic, unexpected gesture which was interpreted abroad as reinforcing doubts about the reformist commitment of President P. W. Botha. His book was published in South Africa last year; surprisingly, his resignation increases, rather than undermines, the importance and interest of this international edition.

Dr Stabbert was always an unlikely politician and his book is an unusual one (not many politicians would open their memoirs with a description of their mother's death from alcoholism). Seen with the hindsight gained from these pages, last month's resignation no longer comes as a surprise. The author tells how he stumbled into a political career by accident: Everything in me resisted the kind of life I was heading for. The loss of anonymity, the false confidence of public speaking, the boring conventionalities, the intellectual dullness of pub-talk politics,

Dr Slabbert admits that he was catapulted to the top of opposition white politics not just for his talents (he says nothing about them in these pages) but because he fulfilled the necessary stereotype for a leader of the opposition. He came from the Northern Transvaal, he had trained to be a *dominee* of the Dutch Reformed Church at Stellenbosch, he was a successful academic, he played rugby well — and above all he was an Afrikaner. He records in all modesty that he seemed to have "an almost mystical appeal to the English-speaking voters."

This is not a particularly good book, as Dr Slabbert probably knows—it has the breathless, incoherent quality of some of his parliamentary speeches, which never had the polish and control of the professional orator—but it is an illuminating volume nevertheless.

J. D. F. Jones



# CRIME

CHAOS OF CRIME by Dell Shannon. Gollancz, £7.95, 190 pages

IN CASE you haven't checked in with the Los Angeles Police Department recently, this latest chronicle of Lieutenant Mendoza will reassure you that business is very much as usual. The cops are all becoming fathers or looking for houses (in Mendoza's case he is worried about a swimming pool); and out there, the usual number of crooks is at work: some eccentric, some amusing (a transsexual provides some laughs), some pathetic (poor boost citizens too proud to go on welfare). And there is the usual central series of crimes, a sex maniac written by a computer. Aren't any of the LA cops on the take? Do none of them lose their temper and beat up a suspect? True, crime fiction readers do not want much reality, but a little bit might not do any harm.

William Weaver

# BOOKS OF THE MONTH

Announcements below are prepaid advertisements. If you require entry in the forthcoming panels, application should be made to the Advertisement Department, Bracken House, 10 Cannon Street, EC4A 3BF. Telephone 01-248 8000 ext 4064. Order and payment for books should be sent to the publishers and not to the Financial Times.

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ESG Reports (in conjunction with Price Waterhouse) £9.95 170 Curzon Street London W1P 7FE 01-248 2222

The Whysphere Catalogue Edited by Tongo Parish Snyder Produced by The Institute of Ecotechnics



# Max Loppert and Martin Hoyle report from Wales on some vibrant new productions

## Stein's stunning Otello

WITH THE Welsh National Opera's Otello, shown at the New Theatre, Cardiff, on Thursday, Peter Stein undertakes both his British debut and his second-eror opera production. Stein, of the Berlin Staatstheater, is, of course, one of the most celebrated directors in the European spoken theatre—which does not always guarantee triumph in the sung, especially as reports of his first foray into opera, the last Paris Opéra Ringgold, were so discouraging.

So it is a relief, and beyond that a pleasure, to report that the result of his collaboration with WNO is another addition to the list, short but glorious, of near-impossible miracles in the company's short history—an achievement that like the WNO Tristan or House of the Dead works against all the ordinary laws of British operatic life and, in so doing, sends one into the night, as conceived that opera-as-drama is not the ungraspable will-o-the-wisp it often seems to be. The remark that the orchestral and vocal aspects of Thursday's premiere may have shown considerably less gloss than many an international Otello at Covent Garden is an easy, obvious one to offer. But I do so in passing, not in the way of serious criticism, since I have ever before had in the theatre so fully realised an experience of this opera, so completely convincing in its accomplishment on every level. Among those opera-house illuminations that one cherishes for their unification of music, word, and action, this must come to rank very high indeed. Stein's reputation as an absolute master of theatrical staccato is borne out in every production detail down to the

smallest. With his brilliant designer-colleagues Lucin Fanti (sets) and Moidele Bickel (costumes) he has conceived a division of the stage into finely marked-out spaces which reflect the psychological and emotional richness of the music. Without in the process re-writing the libretto in the modern mode he has sought and found ways of catching its workings, ways that lend unimagined depths and resources without ever risking obscurantism or sermonising. The sets, which with extreme finesse and exactitude of purpose explore realms of Italian Renaissance pictorial perspective (and their dramatic foreshortenings), are constructed so as to place and define public and private confrontations, concealed and exposed motivations—a picture-frame proscenium arch is brilliantly breached to provide a focus from which, for instance, Iago's creed can be proclaimed. The subtleties of the production risk terrible tortured convolutions in the telling, yet what the spectator recalls above all is an impression of tremendous intellectual clarity. No feature is extraneous; everything functions. The chorus is not regimented to the sidelines but brought to the central focus point, with a quicksilver dynamism, in so doing, sends one into the night, as conceived that opera-as-drama is not the ungraspable will-o-the-wisp it often seems to be.

Why can't we have such things at Covent Garden? was the war-cry afterwards. But they need a company basis, a real company—the widely-gathered ingredients of "international opera" don't allow such fine, fastidious combinations. Richard Armstrong, WNO musical director, had on Thursday perhaps his finest three hours (the performance has only a single interval, a marvellous idea).

He conducts with that apocryphal Veridian mastery in which room is found for all the tiny details of the score, the wind whorls of Iago's first jealousy warning, and again in Desdemona's final utterance, was of an exquisite limpidity that was also intensely dramatic. The playing is not perfection in such a context, must repeat, becomes a relative concept.

Jeffrey Lawton, the WNO's home-grown dramatic tenor, succeeds beyond everybody's wildest hopes in his first attempt at the title role. He has obviously based his performance on Toscanini's Ramon Vinay; many of the most affecting inflections suggested the suitability of the model—both voices, the recorded and the "live," share roughness and unwieldy technique, artistically confronted. He lacks squillo but not force, and never sensitivity, the scale of all his gifts is perfectly accommodated by the production, and the results are moving in newly and painfully credible ways.

Helen Field, a Botticelli angel, may strain to fill out Desdemona's more ample phrases, yet her unbearable poignancy of the more remarkable for vocal difficulties faced and solved with such honest musicality. Donald Maxwell's Iago (a bit nasal at moments) is the most naturally equipped of the three principals—jester, devil, brilliantly quick-witted aide-camp.

No space to praise the smaller roles, all of whom deserve it. This great production plays in five other WNO theatres after its Cardiff run. No one who believes in the greatness of opera at its best will want to miss it.

M. L.



Helen Field

## Sound performances being made in Wales

THE FACT that Wales's oldest theatre company is celebrating only its 10th birthday indicates the problems attending institutionalised culture in the Principality, as conscious of its tense double linguistic heritage as Belgium (hence the frequent criticism of the Welsh National Opera as neither Welsh nor National). Significantly, one of the newest Welsh companies, Made in Wales, is successfully touring the story of a border farm that looks into both Radnor and Hereford. Its first visit to England had a strong local connection for *On the Black Hill*, Bruce Chatwin's novel adapted by Charles Way. The family saga of stubborn patriarch, errant daughter, refined mother and inseparable twin brothers, seems tailor-made for TV serialisation. Its roots firmly in local culture, spiced with folk-music and sung with casual accomplishment by the cast, this

is what a regional company should be doing. Preferably a little faster; though Sion Tudor Owen and Andy Rivers as the twins pace their scenes together with perfect rhythm—elliptic, pregnant, never dragging. Not all the playing is so assured, and young actors obviously find the upper classes as remote as Marjane. Jamie Garven's production exploits such emotional highlights as the mother's death, stylised and touching as she finishes her patchwork cover, aided by Brian Williams's masterly lighting design. Terry Salton as austere father, laying claim to the randomly-heaped up central podium of Kim Kenny's set, is as genuine as the music.

Made in Wales has made landfall in Swansea's wind-swept campus, in the Taliesin Arts Centre, whose ground floor the mpyric might assume in consist of rows of box-offices

hul which proves an array of cash-points and bank-tills. This is nothing to the surreal effect of an icy midwinter trudge to the hillside complex of Mold's county hall, library and theatre, designed to recall that drying breed, the lone pedestrian who, coming unawares on the dark hulks of row upon row of parked mobile libraries feels he has wandered into an Orson Welles adaptation of Kafka.

Theatre Clywd boasts the spacious studio which is sending Eileen Atkins's Medea, already reviewed in these pages, to London at the end of the month; and a large auditorium complete with orchestra pit big enough for touring opera. The 10th anniversary season is going with a bang under the ebullient Toby Robertson who has presided over the company's appearances in Antony and Cleopatra and *The Tempest of the Shrew*,

confirming Clywd's supremacy in Welsh theatre.

Mozartian hares are started by Roger Bourke's elegant set for the new Hedda Gabler. For the blackness beyond the Tesmans' wall-less villa looms the statue of the late General Gahler. If Donna Anna had married Wimpish Otavio, one feels she would have turned out like Hedda, craving the briefly tasted forbidden fruit and fretting at the long littleness of married life.

Hedda emerges from the darkness in red, the colour of shame, blood or revolution. But Carol Leader's immediate assets are health and high spirits, more suited to a Jane Austen heroine than to Ibsen's frustrated aesthete whose only creative potential lies in the area that disgusts her. Annie Castledine's production evokes quick, light delivery that deprives Judge Brack of weight or menace. Hedda takes

M. H.

## The market for modernism

ON FRIDAY Christie's will offer for auction paintings by contemporary artists whose work is usually sold through galleries. These pictures feature in a new category of sale—British and Irish modernist paintings and sculpture from 1900.

The director of the department, Francis Farmer, has been approaching leading artists—mainly those who are known not to be tied to Cork Street dealers—suggesting that they test the water. For the first auction John Coppall has contributed *Blue Diamond*, an abstract of 1965. It carries an estimate of £1,200-£1,800, which is below Coppall's gallery price.

If it does well other artists are likely to join in the next auction. Farmer claims that his initiative has not upset the main London galleries. The more far-sighted of them are starting to realise that if Christie's can attract new collectors for contemporary art they will be the beneficiaries. At the moment some leading galleries, like Waddingtons, are dependent on foreign buying for over 90 per cent of their turnover. It is about time that British artists were acquired by a new generation of British owners.

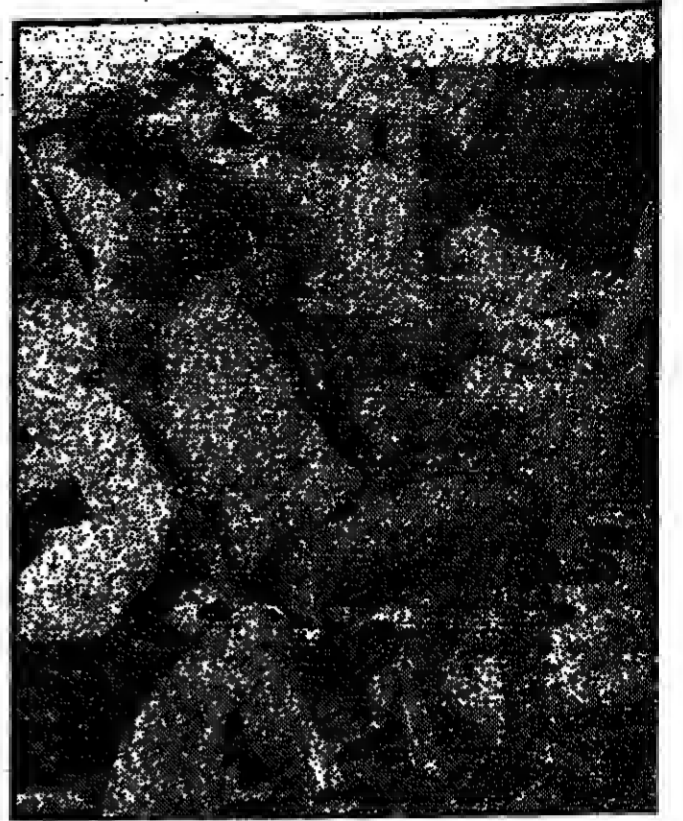
Galleries have, in the past, tried to protect their artists' work from the salerooms. Undoubtedly paintings that appear in the saleroom fetch less than their gallery price, mainly because the auction houses operate on a lower margin. There have been cases of dealers buying at auction to keep up the price, or even trying to establish higher prices for artists. Farmer will look out for any such doubtful practices.

Although Coppall is the only artist to have contributed a work to the auction there are a number of other painters on offer who rarely, if ever, feature in the saleroom. They include Matthew Spender, Norman Stevens and David Nash.

In the past they slipped through the auction house net because they lacked the international appeal to be included in the saleroom. An event at which works by overseas artists are sold to overseas buyers in London with just a few British names with global appeal, such as Hockney, Bacon, and Moore, featuring. But they fit comfortably into the new category, a spin-off from the Modern British Pictures department which, in practice, handled any pictures painted after the High Victorians.

Christie's has introduced the change mainly because, from an art-historical viewpoint, the sales are becoming a ragbag, with Sickert alongside Montague Dawson, the Newlyn School with Russell Flint, Munnings next to the Cubists. Now a division has been made: any artist that was considered avant-garde in his day, even if his day was 1900, is in with the moderns.

Splitting the department is also an acknowledgment of its growth and success in recent



Detail from Matthew Spender's "Beach Scene"

years, built around the boom in modern British artists. But, just as Modern British started to be bought by dealers and collectors because the Victorians were suddenly expensive, so now Modern British are beyond the reach of the many and the later-war artists are being snapped up. Already the experts tip the post-1945 generation for the next price upturn.

Farmer's personal preference for appreciation is the group of abstract artists who appeared in the late 1940s and 1950s and which included Patrick Heron and Roger Hilton, both of whom are represented on Friday. He also sees potential in Sickert, who, as usual, is freely on offer, at estimates ranging from under £1,000 for a sketch to £18,000 for a view of Bath. The top price in the sale could well be achieved by another Camden Town School artist, Spencer Gore, for *Behind the Blind*, a mysterious portrait of a girl which carries a modest estimate of £15,000. Another important painting is *Flowers in a Vase* by David Bomberg.

From an investment angle, modern British paintings suffer

from the lack of an international dimension. There are some American buyers, but the main thrust is a national market with private collectors as numerous in the auction room as dealers. But prices are certainly low and the esteem of British artists is rising steadily.

So if you want an Ivon Hitchens now, he is represented thrice at this auction, with typical bold abstracts ranging from £2,000 to £8,000. There are Michael Ayrton bronzes and a Sandra Blow abstract; one Peter Blake and many John Piper; the under-priced Graham Sutherland and the not so under-priced L. S. Lowry. There is an attractive Tristram Hillier of a farm wagon which just qualifies for its surrealistic resonances, and, from St Ives, Boots, Cliff and Lighthouse by Alfred Wallis, with a modest £4,000-£5,000 estimate. Christie's obviously thinks that the recent extraordinary upturn in price for the British artists of the turn of the century will have a knock-on effect on more modern artists. If Christie's is right, now is the time to buy.

Antony Thorncroft

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## Video Vintage H and H

TWO GREAT British screen artists whose work never went off at half-cock were Hitchcock and Hancock. When did two near-nemeses exist so perfectly embody the contrasting halves of a nation's soul? Hitchcock's Britishness lay in his *sans froid* and in the slow-draw sophistication that overlaid a schoolboy's malevolent humour. Hancock had no *sans froid* at all, and his passes at sophistication always had the desperate air of a drowning suburbanite reaching out for high culture. This *Dives* and *Lazarus* double act of Western showbiz has now hit video. *Hitchcock* throws up his lofty, scintillating crumbs of black humour introducing four vintage Alfred Hitchcock Presents tales from the early 1960s (CICG). Hancock follows up his recently released TV show on BBC Video with a feature film double bill from the same era (Thorn-EMI). Hancock is gloriously floundering form as *The Rebel*, in which he nips off to Paris to become a "beat" artist, is back to back with *Hitchcock* doing a spot of pathos for his sessanties entertainer role in *The Punch and Judy Men*.

In a hazy month we can but sashay at lightning speed through the other new video attractions. *Gumshoe* (RCA/Columbia) gives us Albert Finney as a spoof-Bogart private eye clipping out wise-cracks in this spry British comedy thriller directed by Stephen (My Beautiful Laundrette) Froars. Luis Puenzo's *The Official Version* (Virgin) is the harrowing tale of a mother's loyalty and a nation's nightmares in Argentina under the junta. Norma Aleandro as the mother won Best Actress prize at Cannes. There is more political agony in *Galop* (Heron), though this time it is accompanied by aesthetic agony as the made-for-cable film pitches us into a Siberia full of B-movie dialogue, fake Russian accents and second-magnitude actors (David Keith, Malcolm McDowell) speaking through facepuffs of snow. Lovely scenery, though, and an exciting climax.

Nigel Andrews

## Funding

THE BIGGEST upheaval in funding of the arts in the UK for many years is imminent. In his Budget on March 18 the Chancellor of the Exchequer is likely to announce tax benefits which will increase corporate support for charities—and the arts. If Mr Lawson does not act, the arts world will feel very let down, so strong have been the Government's signals of change.

In essence the Chancellor is likely to scrap the need to covenant cash over four years when helping the arts, and also to remove the onus upon companies to prove that their arts sponsorship is for business purposes. He may also ease up on the restrictions on arts entertaining and on capital projects.

It is hard to calculate what the impact of such sweeping reforms would be. Mr Colin Tweedy, of the Association for Business Sponsorship of the Arts, estimates £10m extra spending on arts sponsorship by companies in the first year, building on a current level of £20m.

For guidance on what a loosening up by the Government would lead to, the UK arts community must look to

## Funding

## Budget booster

THE US Companies there spend around 1.5 per cent of their pre-tax profits on charity and the arts. In the UK, however, the average is only 0.2 per cent of pre-tax profits to good works. The difference is the game to be played for.

Of course, medical and educational charities would be the main beneficiaries of any tax change. But the impact on the arts could be the most immediately marked. Arts sponsorship has grown rapidly in recent years. It is seen by companies as a relatively cheap, socially acceptable way of both improving a corporate marketing image and of "giving something back" to society. Arts sponsorship also offers attractive entertainment opportunities and a chance to appeal to the more affluent sectors of

M. H.

## Radio

## Passing respect

name might one day be devised, reckoned that his inability to take Shaw seriously was due to his Irish origin. Only the younger contributors still accorded him respect, unless, of course, that is what Lord Brodway was doing. What Shaw was at, said Murgerridge, was just standing up to the British; and Radio 4's Sunday Feature showed the Scots at the same thing. Playing the Scottish Cord was a study of the Scottish Office by James Naughtie, and it was useful to be reminded that Scotland has its own ideas about law and education and the Church, and is wholly concerned with its own affairs, in George Younger's words, "governed from Edinburgh". It also has BBC Radio Scotland, which broadcasts some good stuff not heard on Radio 2, 3 or 4.

On Tuesday it gave us *Blokada*, a fine play by Stephen Mulrine about the German siege of Leningrad in 1941. It chronicles the fortunes of the Kirillov family, the Bezukhov family, and their resident refugees. It is a bleak picture; Alexei Kirillov is blinded at his factory, Sasha Bezukhov is arrested for a blackout offence, called "spying", the Bezukhov children are evacuated and never heard of again, rations grow less and less until it is impossible to survive. The atmosphere is well evoked by dialogue and events, with a proper reticence of sounds or music. Great playing by Kate Durbene as Nadya, around whom so much occurs, Edith MacArthur, Rose McHain, Paul Young and others. Marilyn Imrie was the director. There was a very different

If there are tax concessions to stimulate business to be more generous to charities and the arts, the arts world fervently hopes that these will not be matched by cutbacks in Government expenditure on the arts through its subsidy of the Arts Council. But if there was a big increase in corporate sponsorship undoubtedly there would be little pressure on the Government to increase its Arts Council support.

By coincidence, this new approach mooted by the Government coincides with a similar innovation by the Arts Council. It is putting £10,000 into a pavilion at next week's Ideal Home Exhibition to show off the work of present-day artists. Liberty is providing the soft furnishings; the Council the art work, and interested browsers will be encouraged to contact the artists.

This switch in resources from subsidising artists to increasing opportunities for the public to become private patrons chimes nicely with Government thinking on the arts.

Antony Thorncroft

Russia in Ostrovsky's Artists and Admirers on Radio 3 the following day. We are with a modest theatre company in the Russian provinces, somewhere around 1880. Sasha, eagerly awaiting her benefit night, is devoted to a student, Poytr, who reckons he is teaching her how to live according to the highest standards. Being an actress, however, she is offered certain advantages by a Prince and a millionaire.

Ostrovsky shows little faith in the high standards. He is on the side of Poytr (Shaun Prendergast) and keeps Sasha on his side to until the last moment. Then Sasha rides away in a train, continually to work in Moscow, but, as we learn when the train has gone, to the protection of Velikato, the millionaire. There is an excellent scene where she explains to Poytr the gulf between her standards and his. Natasha Richardson's performance as Sasha was superb. The director was Matthew Walters.

B. A. Young

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